S0840-3

Ladies and Gentlemen of the Legislature:

I am pleased to present to you my *1981 Economic Report*.

Despite a recession and a high level of inflation nationally, the past year was surprisingly good for the California economy. During that time, real income for Californians actually rose slightly.

In California in 1980 more than 210,000 jobs were created, accounting for over 25 percent of the job growth in the United States. At the same time, the State's unemployment rate averaged 6.8 percent, and was below the national average for the first time in 25 years.

Tax relief is continuing to benefit individuals and businesses in the State. In the fiscal year 1981–82 Californians will receive an estimated $4.3 billion in tax relief, and over $7 billion in tax savings as a result of Proposition 13. From 1975–76 through 1981–82, nearly $44 billion will have been cut from State and local tax payments.

Sincerely,

Edmund G. Brown Jr

EDMUND G. BROWN JR
Governor of California

Honorable Edmund G. Brown Jr.
Governor of California
State Capitol
Sacramento, CA 95814

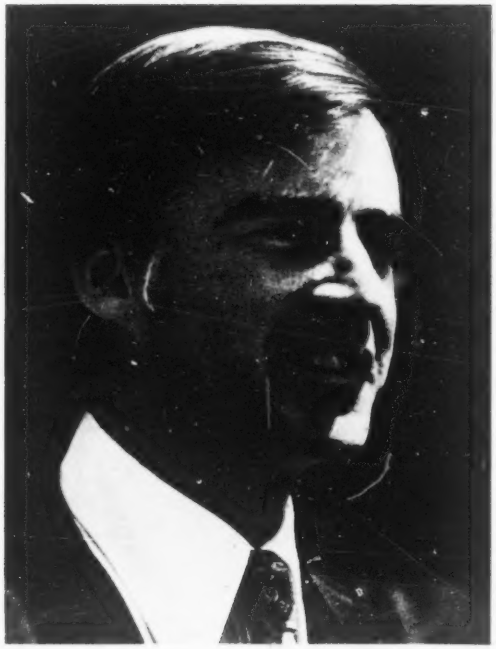
1981 ECONOMIC REPORT OF THE GOVERNOR

I am transmitting to you the 1981 Economic Report of the California economy, for submission to the Legislature.

We appreciate the assistance of various State agencies which contributed to this Report.

Mary Ann Graves

MARY ANN GRAVES
Director of Finance



HIGHLIGHTS OF THE YEAR 1980

- 212,000 new jobs were created in California in 1980.
- 27% of the job growth in the nation occurred in California.
- The State's unemployment rate averaged 6.8%—below the national average for the first time in 25 years.
- Personal income reached $256.8 billion, up 12.6% from 1979. Real income rose by 2.2%.
- Per capita income increased to $10,850, placing California in an estimated fourth place among all the states.
- The 1980 Census counted 23,700,000 Californians, or 18.5% more than in 1970.
- Californians continue to receive major tax relief. Between 1975–76 and 1981–82, tax relief will amount to nearly $44 billion.
- The percentage increase in California per capita taxes between 1969 and 1979 was the smallest among the 50 states.
- New business incorporations have increased steadily since 1975. By 1980, the annual total was more than double the 1975 level.
- Despite severe financing problems, 145,000 housing units were authorized by permits last year.
- During 1979 and 1980, oil drilling in California set new records.

TABLE OF CONTENTS

	Page
I. REVIEW AND OUTLOOK	1
The Employment Situation	2
Aerospace	2
Non-Aerospace Manufacturing	4
Other Sectors	6
California and the Top Industrial States	8
Unemployment: A Trend Reversed	9
Regional Trends: Problems of the Resource Counties	10
The Outlook for 1981	10
The Problem of Inflation	13
The 1980 Experience	13
The CPI: Is It the Best Measure?	14
The Alternatives	17
The Outlook for Inflation	18
Personal Income	19
Real Income	19
The Outlook	20
Liquidity	20
Unreported Economic Activity	21
Aftermath of a Census	23
The Census in Brief	24
II. TAX RELIEF	25
Taxes Per Capita	26
Taxes Relative to Income	27
Indexing and the Income Tax	29
III. THE STATE AND LOCAL FISCAL PICTURE	31
Issues of Government	32
Proposition 13	32
Proposition 4	35
The Mechanics of the Limit	35
Federal Revenue Sharing	36
Inflation and the State Budget	37
State and Local Government Bonds	38
Housing Bonds	39
Other New Bond Authorizations	40
Consequences of Increasing Bond Issues	41
Conclusion	42
IV. ECONOMIC DEVELOPMENT: NEW INITIATIVES	43
Economic Development	44
Industrial Innovation	46
Pension Fund Investment and Capital Formation	47
The California Business Climate	48
A Recent Controversy Over the Business Climate	49
Summary of the Business Climate Debate	49
Regional Development Needs	50
State Initiatives to Develop Skilled Workers	52
Revitalization and Economic Transition	53
Housing	54

The Current Situation 54
Home Prices and Rental Costs 55
1980 Construction Trends 56
Vacancies 57
The Outlook 58
State Housing Programs and Policies 59
Future Housing Programs and Trends 61
Residential and Nonresidential Valuation 63

V. ENERGY 65
Energy Trends 66
Energy Planning for the Future 67
Cogeneration 68
Biomass 69
Solar 69
Wind Energy 70
Geothermal 70
Policies and Programs 71

VI. STATE ECONOMIC POLICY 73
State and Consumer Services Agency 74
Health and Welfare Agency 78
Business, Transportation and Housing Agency 78
Resources Agency 81

VII. CONTINGENCY PLAN FOR EMERGENCY PUBLIC WORKS 83
Background 84
Methodology of Preparing the Plan 85
How to Use the Plan 86
Plan Requirements and Description 87
Implementation 89

STATISTICAL APPENDIX 91

I. REVIEW AND OUTLOOK

THE EMPLOYMENT SITUATION

California usually experiences a moderate decline in employment during a recession, due to the State's strong underlying growth trend and the particular industry mix.

1980 proved the exception to the rule. For the year as a whole, the number of jobs in the State rose by only 212,000, or 2.2 percent. Pronounced employment weakness in the second quarter was followed by a slow recovery during the balance of the year.

The Federal Reserve Board (FED) actions to curb the use of credit early in the second quarter brought about a rapid deterioration in the job situation, and helped precipitate the 1980 recession. Between the months of March and June last year the number of jobs in California trade fell by an unprecedented 35,100, or 1.5 percent, on a seasonally adjusted basis.

Manufacturing activities were curtailed in line with reduced consumer spending and an employment loss of 47,000 took place over the same three months. The transportation-utility area sagged moderately. Even the traditional growth pattern in the service industries was slowed abruptly.

Although rising interest rates led to a sharp slump in building activity, construction employment fell by less than 10 percent from its pre-recession peak to the recession trough. This was a notable achievement for such a volatile sector.

The most severely impacted sector, however, was manufacturing.

California manufacturing is unique for a major industrial state, since almost one-third of the sector is related to the aerospace industry. The balance is broadly distributed among industries with one key characteristic; there is relatively little heavy industry which can be most severely curtailed by downturns.

Aerospace

Aerospace can be a source of either strength or weakness during a recession, depending upon trends in defense and space spending, rates of commercial aircraft production and developments in the electronics industry. In the 1969–70 recession, the space program was winding down, real defense spending was falling sharply as the Vietnam war was being concluded, and the first surge of commercial jet aircraft production was completed. Industry employment fell by more than 150,000 jobs in the State between the end of 1967 and 1971, seriously compounding the effects of the 1970 recession.

By 1973, the aerospace industry was turning around, due largely to a new wave of orders for commercial planes to replace the aging fleets of the 1960s. Employment rose during the 1974–75 recession, effectively offsetting much of the decline in other industries.

By the late 1970s, the aerospace sector had entered a major expansionary phase. Commercial aircraft production was high and defense spending was stabilized. Most significantly, the electronics industry was seeing the start of a boom which is still

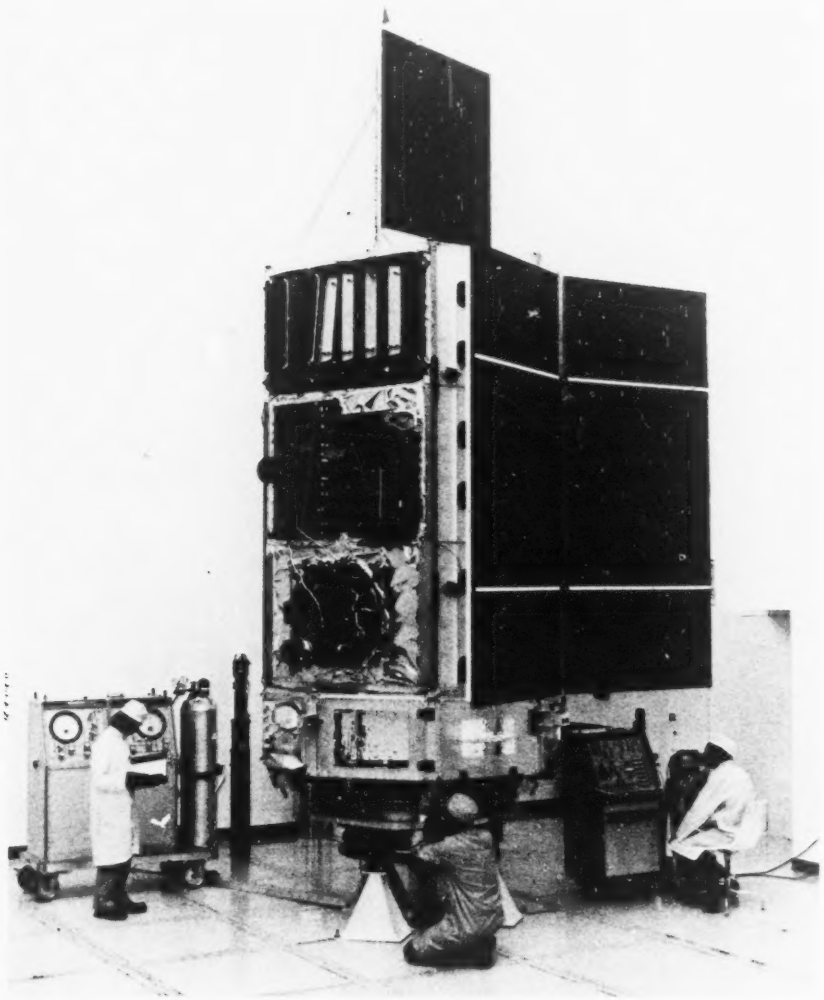
underway. The manufacture of electronics components and communication equipment now accounts for 40 percent of all aerospace jobs.

Employment for the entire aerospace sector increased from 480,000 at the start of 1978 to approximately 607,000 by the end of 1979. The 127,000 job gain over this period accounted for more than half the entire increase in manufacturing employment during this period.

During 1980 the aerospace trend continued but at a reduced pace, with a job rise of 21,000 during the year.

Defense contracts awarded to California firms amounted to over $13.8 billion for the fiscal year ending September 30, 1980. That was an increase of 18.7 percent from the previous year or 8 percent adjusted for inflation. The State's share of all contract awards in the U.S. rose to 20.9 percent.

On the other hand, space-related activity continues to decline. Contracts awarded in California last year came to only $1.72



billion, far below the peak years of the space program in the mid- to late-1960s. Even so, California firms received 43.5 percent of all awards made nationally.

The outstanding success of the Voyager spacecraft fly-by of the planet Saturn raised hopes that further pioneering research efforts would be funded in the next few years. Whether this will come about is highly uncertain, however, given the number of competing Federal programs and planned cutbacks in many national programs in the effort to reduce the size of the Federal deficit.

Commercial aircraft production is still a bright area, although individual programs are experiencing some slowing. The production rate for the Lockheed L-1011 was unchanged over the year, as the order backlog was gradually worked down. Douglas continued to receive new orders and options for the DC-9, and at the end of the year was still studying the possibility of a new plane to meet the needs of high traffic, intermediate range markets.

By far the largest coup was scored by the Boeing Company of Seattle, Washington, which landed an order from Delta airlines for the new 757 airplane. Since California firms are typically major subcontractors on Boeing projects, they are expected to share significantly in this order during the mid-1980s.

Non-Aerospace Manufacturing

Non-aerospace manufacturing employment fell by 44,000 during 1980, with the hardest hit industries being those dependent upon auto and housing sales.

Figure 1-1
U.S. AND CALIFORNIA NONAGRICULTURAL EMPLOYMENT, ANNUAL PERCENT CHANGE, 1967–1980

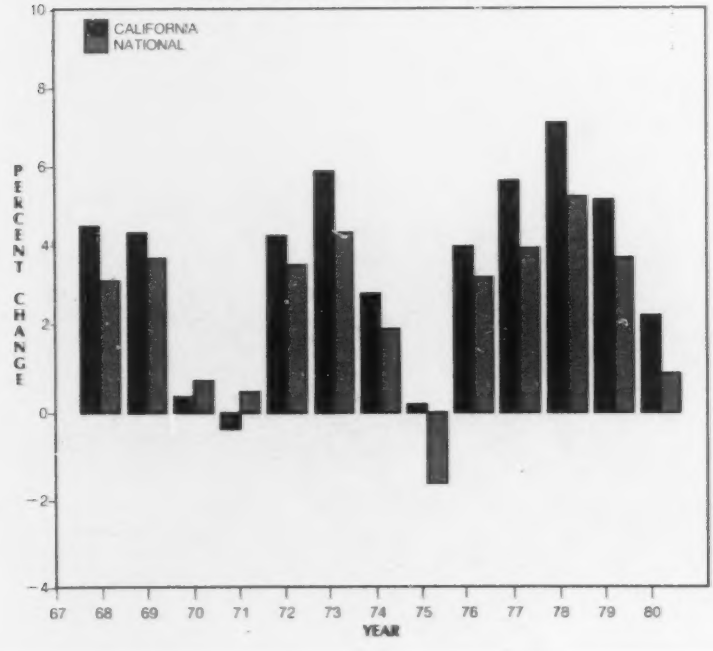
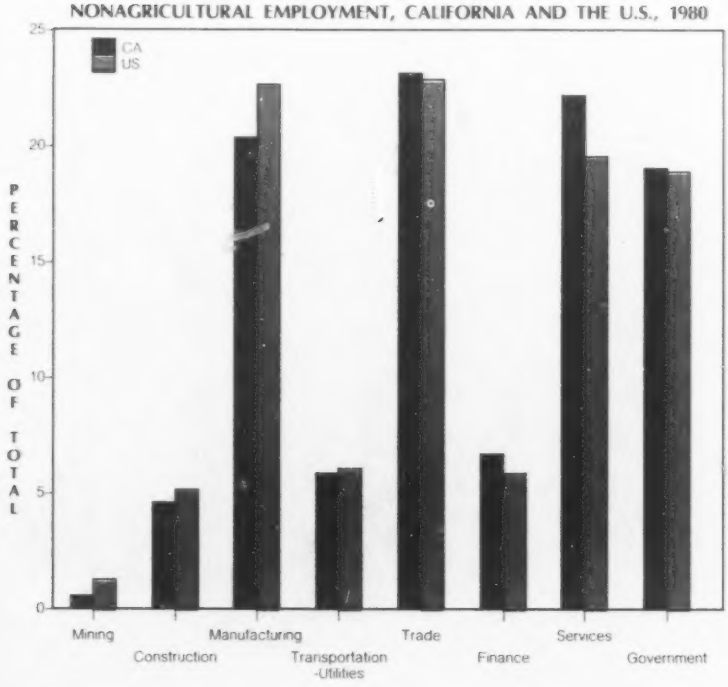


Figure 1-2
INDUSTRY EMPLOYMENT AS A PERCENT OF TOTAL NONAGRICULTURAL EMPLOYMENT, CALIFORNIA AND THE U.S., 1980



New car sales in California amounted to 975,000 units during the past year, down 13 percent from the level in 1979. Roughly 48 percent of these sales represented imports—primarily Japanese. Domestic sales remained fairly good for the newer, fuel-efficient sub-compacts. Sales of full-size models, in contrast, plummeted about 50 percent, accounting for more than one-fourth of the total sales decline for the year.

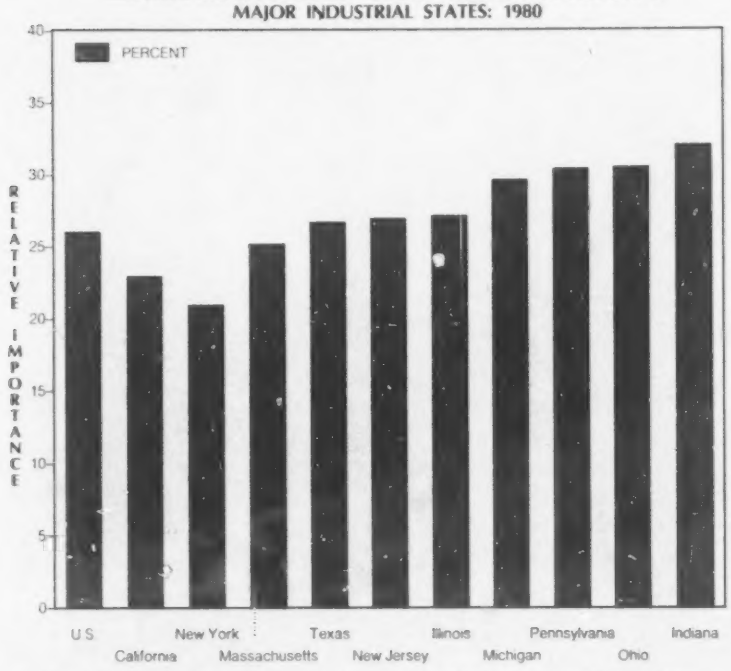
Auto assembly plants in California produce primarily compact and sub-compact models. Even with this advantage, production schedules were trimmed to the point that one-third of the 45–50,000 workers in the industry were laid off during part of the year. The worst period was the third quarter, as excessive inventories of 1980 models and uncertain demand conditions held production to exceptionally low levels.

The tentative recovery after August was cut short by rising interest rates and a resulting plunge in auto sales. Only slow recovery is expected for the balance of 1981.

The sharp slump in housing demand was felt first and foremost in reduced demand for lumber and wood products. Employment sagged by 13,500 between September 1979 and May 1980. This represented the layoff of one out of every five workers in the industry.

As would be expected, the lumber growing counties of the north state were hardest hit. Those counties also have the least diversification to help absorb such severe layoffs. The secondary

Figure 1-3
RELATIVE IMPORTANCE OF GOODS-PRODUCING INDUSTRIES
MAJOR INDUSTRIAL STATES: 1980



STATES BASED ON EMPLOYMENT IN MINING, CONSTRUCTION, AND MANUFACTURING AS A PERCENT OF TOTAL NONAGRICULTURAL EMPLOYMENT

economic effects were mitigated to some degree by unemployment insurance benefits which were extended for a full 52 weeks when the jobless rate passed the 7 percent mark mid-1980.

Unemployment rates in the northern counties generally ranged between 10 and 20 percent for the year. These averages mask the full magnitude of the jobless problem, however; rates ran between 20 and 30 percent during the winter season. The situation is a reminder of the need for job creation in other industries in these counties to reduce the large cyclical swings in unemployment.

The furniture-appliance, textile and stone-clay-glass industries also suffered from the housing slump. These three sectors had a combined job loss of 7,100 for the year 1980.

Several manufacturing sectors, apart from aerospace, did relatively well. Petroleum refining, for example, was up, and the printing and publishing industry staged a revival late in the year which pushed the annual average above that for 1979.

Other Sectors

Within the finance sector, minor cutbacks occurred in the real estate industry. The number of employees in this group fell by 5,000 from peak to trough, although half this total was added back late in the year when prospects for an early 1981 housing revival appeared brighter.

The growth in the financial sector during the year slowed to a crawl when financial institutions virtually withdrew from many types of lending. Recovery in this sector is expected to be comparatively slow over the next few months.

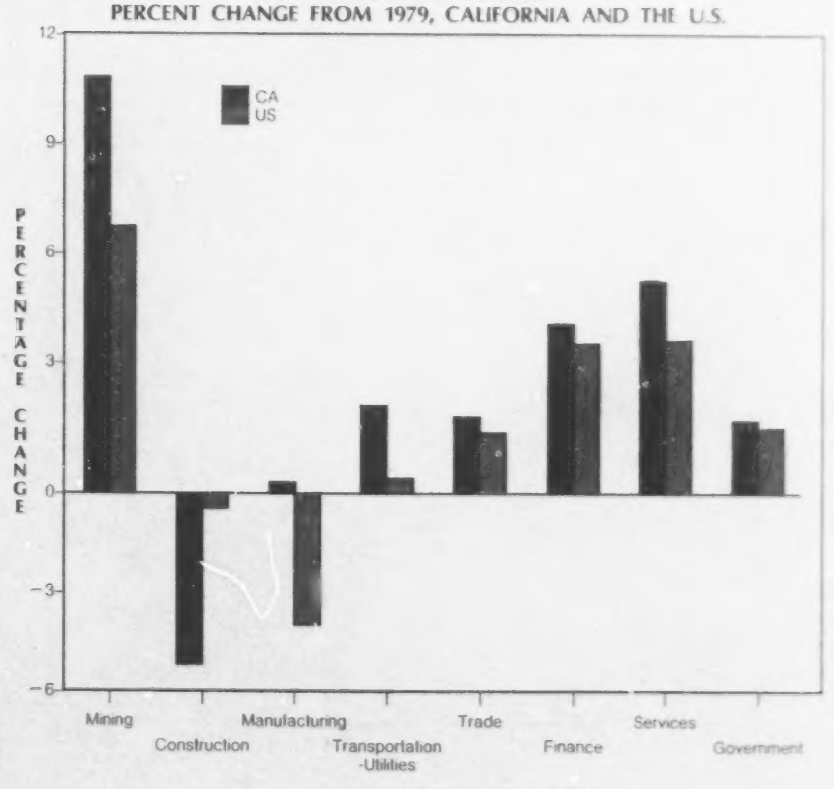
Wholesale trade experienced more or less steady growth over the year, and by December had posted a 21,000 job gain.

Retail trade fell sharply in the second quarter, with general merchandise stores taking the brunt of the adjustment. The one retail area which remained strong during the downturn was the restaurant business. Sales gains were fairly steady through the year, and employment was up by 2.5 percent for the 12 months ending last December.

The service industry was hit by two negative developments during the year. The second quarter credit controls and dramatic cuts in consumer spending resulted in an abrupt slowdown in employment growth. In the third quarter a 3-½ month strike in the entertainment industry began, and idled approximately 10,000 people at its peak.

Even so, services came in with a 111,000 job gain for the year for an increase of 5.4 percent. Business services surged ahead by 9 percent, apparently oblivious to the 1980 recession.

Figure 1-4
INDUSTRY EMPLOYMENT
PERCENT CHANGE FROM 1979, CALIFORNIA AND THE U.S.



Government employment edged up slowly, due primarily to hiring at the local level. Federal employment jumped early in the year as temporary workers were hired for the 1980 Census. Basically, the number of Federal workers in the State remains slightly above 320,000, or unchanged over the past two years.

California and the Top Industrial States

Employment declines during a recession are generally greatest in the major industrial states and in those states reliant on the lumber industry. 1980 was no exception. Of the top ten major industrial states, seven experienced more-or-less typical recession impacts. These states all had a heavy emphasis on basic industries and the production of durable goods for the consumer market.

California was joined by Texas and Massachusetts as the only major states which managed to post substantial gains in the total number of jobs, despite an erratic and generally negative economic environment. Table I-1 compares employment among the 10 most populous states.

California's relative strength can be largely attributed to its industrial mix. Only New York among the major industrial states had a smaller proportion of jobs in the critical goods-producing sectors—mining, construction and manufacturing. That such a large share of California's manufacturing is tied to aerospace reduces potential reductions still further, when the aerospace industry is expanding.

Figure 1-5
U.S. AND CALIFORNIA UNEMPLOYMENT RATES
1978–1980

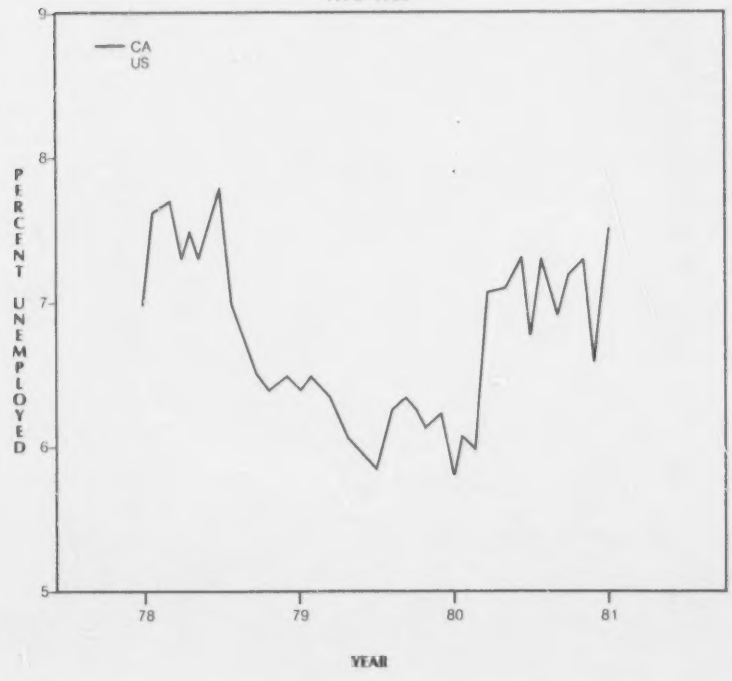


Table I-1
Employment Comparisons by State, 1980

	Total Wage & Salary Employment			Employment in Goods-Producing Industries		Goods-Producing Industries as a Percent of Total
		Change from 1979		Change from 1979		
	Number	Number	Percent	Number	Percent	
United States	90,667,000	779,000	0.9	−644,000	−2.4	28.5
California	9,877,000	212,400	2.2	−11,800	−0.5	25.2
Illinois	4,892,000	8,700	0.2	−44,600	−3.0	29.6
Indiana	2,145,300	−96,400	−4.3	−89,700	−10.6	35.4
Massachusetts	2,646,000	105,200	4.1	−2,400	−0.3	28.2
Michigan	3,462,800	−165,100	−4.6	−179,300	−13.7	32.5
New Jersey	3,043,600	11,900	0.4	−23,300	−2.5	29.4
New York	7,204,700	25,300	0.4	−44,500	−2.6	23.1
Ohio	4,398,800	−85,900	−1.9	−119,000	−7.4	33.6
Pennsylvania	4,738,800	−93,600	−1.9	−58,600	−3.6	33.5
Texas	5,861,800	260,000	4.6	72,800	4.4	29.2

The range in the shares held by the goods-producing industries is dramatic—from 35 percent in Indiana to 23 percent in New York, with California at a comparatively low 25 percent.

Given the inevitability of economic fluctuations, an over-emphasis on heavy industry (or those sectors tied to housing and major consumer and investment items) will only make recessions more severe and gains achieved during recovery less permanent.

Unemployment: A Trend Reversed

The California unemployment rate has exceeded the annual nationwide rate every year since the mid-1950s, whether recession or expansion was underway. Every year, that is, until

Table I-2
Unemployment Rates for Major Industrial States, 1979 and 1980

	1979	1980
UNITED STATES	5.8	7.1
Michigan	7.8	12.6
Indiana	6.4	9.6
Ohio	5.9	8.4
Illinois	5.5	8.3
Pennsylvania	6.9	7.8
New York	7.1	7.6
New Jersey	6.9	7.2
CALIFORNIA	6.2	6.8
Massachusetts	5.5	5.6
Texas	4.2	5.3

1980. During the past year, the State jobless rate exceeded the national average during only two months.

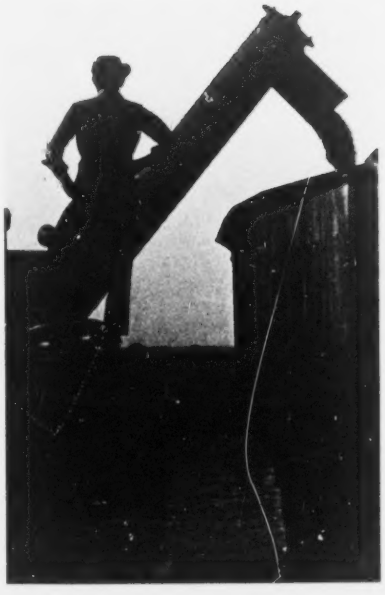
For the year as a whole, the California unemployment rate was 0.3 points less than the nationwide rate. This performance was in sharp contrast to the experience in other states. Among the top ten industrial states, excluding California, Texas and Massachusetts (the three relatively strong areas), unemployment rates averaged more than 8-½ percent.

The overall jobless rate hides the disparities which exist among different population groups and regions in the State. For example, joblessness remained relatively low for married men and—a new development—for all women. On the other hand, unemployment for teenagers and blacks soared from already unacceptably high levels, reflecting the long-term problems of increasing skill levels and finding permanent jobs for individuals in these two groups.

Regional trends: Problems of the Resource Counties

The major metropolitan areas of California fared well during the downturn, with only a moderate rise in unemployment. Orange and Santa Clara counties were two exceptions to the general uptrend. Their jobless rates were less in 1980 than in 1979. At least part of this favorable trend must be attributed to the previously noted strength in the aerospace/electronics industry.

At the other extreme were those counties based almost solely on the lumber industry. The slump in housing, which actually started back in early 1979, led to severe cut-backs in logging and lumbering activities and sent repercussions throughout local economies. Table I-3 gives the trend in unemployment rates for selected counties grouped according to the primary economic base of the area.



Severe fluctuations in unemployment are not new to the outlying areas of the State. Efforts to establish a more secure and service-related economic base, though, have so far proved unproductive. The relatively small population in most of these areas, their less developed transportation facilities, and their location away from larger centers of activity all discourage any substantial diversification of the economic base. The solution to this problem may lie in the gradual shift of new development to less developed (and less congested) areas of the State.

The Outlook for 1981

The economic outlook for California depends to a large extent on national developments. The state should see continued expansion in employment; however, if efforts to control inflation result in a renewed slump, the resumption of more normal growth will be postponed.

Table I-3
Unemployment Rates by County, 1980
(Percent)

Counties Grouped by Economic Base	*1980*
Aerospace and electronics:	
Orange	4.3
Santa Clara	5.3
San Diego	6.6
Services:	
Los Angeles	6.6
San Francisco	6.6
Contra Costa	5.1
Alameda	6.1
Agriculture:	
Monterey	9.2
Fresno	9.1
Kern	8.0
Merced	10.9
San Joaquin	10.7
Lumbering:	
Trinity	15.7
Humboldt	12.0
Tehama	12.1
Del Norte	13.2
Mendocino	10.6
Siskiyou	15.0
State Average	6.8

Construction is posed for a rapid recovery when interest rates finally settle between 12 and 13 percent. In the unlikely event rates were to drop below this range—say to the 8½ to 10 percent level—an exceptional building boom including both residential and nonresidential projects would get underway quickly. Relatively little recovery in construction jobs is expected in 1981, although steady gains are forecast in 1982.

Manufacturing will again be supported by aerospace, which is expected to see steady gains, although at a slower pace than during the past two or three years. The recovery in other durable goods industries will be gradual as consumer and investment demand builds up. Since layoffs seem to have been fairly restrained overall, no strong employment surge can be expected until the latter part of this year. Another factor moderating the recovery will be the expansion of average weekly hours and overtime work during the transition months. Firms are expected to defer hiring additional workers until economic conditions settle.

Sectors other than construction and manufacturing are likely to resume more normal growth in the second half of the year as demand builds.

The one exception will be the government sector. Recently announced Federal cuts will have a moderate impact on Federal civilian employment in the State. Some 3,000 jobs may be eliminated by the end of 1981, with no gain and more likely further reductions in positions by the end of next year. State employment is expected to rise only fractionally—far less than the overall gain in population. Local government growth will be held in check by slower growth in revenues than in past years.

Overall, the number of jobs in California should be up by approximately 220,000 in 1981 for a gain of slightly over 2 percent from last year.

As the unemployment situation improves, renewed confidence draws more people into the labor force than can be readily absorbed. The immediate effect is, therefore, an *increase* in the jobless rate. It generally takes three to five quarters to reverse this trend.

The specific forecasts for California for 1981 and 1982 are given in Table I-4, along with the actual gains during 1980.

Table I-4

California Employment, 1980–1982
(Number in thousands)

	1980	1981		1982	
	Number	Number	Percent Change *	Number	Percent Change *
Civilian labor force	11,202	11,584	3.4	12,151	4.9
Civilian employment	10,442	10,707	2.5	11,304	5.6
Unemployment	760	877	15.4	848	−3.3
Unemployment rate (percent)	6.8	7.6	–	7.0	–
Nonagricultural wage and salary employment	9,879	10,101	2.2	10,563	4.6
Mining	43	48	9.3	50	5.3
Construction	443	427	−3.7	452	6.0
Manufacturing	2,008	2,026	0.9	2,081	2.7
Nondurable goods	637	644	1.0	661	2.6
Durable Goods	1,371	1,382	0.8	1,420	2.7
Aerospace	621	630	1.5	648	2.8
Other durables	750	753	0.3	773	2.7
Transportation—utilities	547	560	2.4	574	2.6
Trade	2,268	2,340	3.2	2,480	6.0
Finance—insurance—real estate	621	638	2.7	675	5.8
Services	2,181	2,296	5.3	2,475	7.8
Government	1,767	1,768	0.0	1,776	0.5
Federal	1,437	1,447	0.7	1,455	0.6
State and local	331	321	−3.0	321	0.2

* Percent changes calculated on unrounded data.

THE PROBLEM OF INFLATION

Rising prices had been a major force shaping economic development during the past several years.

The price situation has been credited with stimulating the unusually rapid growth of the labor force and employment since 1977.

Inflation has led to accelerated buying plans to beat future price increases. This situation has become known as the inflation anticipation syndrome, and is creating, in part, the strong level of demand which permits prices to be pushed still higher.

Inflationary pressures have encouraged speculation in a wide range of commodities, including homes and other real estate.

During 1980 federal policies were designed to slow economic growth and thereby remove some of the pressure for further price increases.

Perceived losses in real income provided a strong motivation for leapfrog wage and price gains, even in the face of slack demand for goods and services and rising unemployment.

Monthly reports on the consumer price index now featured prominently in the news have undoubtedly heightened public awareness of the situation, and perhaps even contributed to the problem. Measures of the problem which previously were reserved for discussions among economists, such as the basic or core rate of inflation, are becoming far more widely known.

With so many elements of the economy trying to attack the problem at different levels—from the individual to the Federal Government—and often moving in different ways, it is no wonder that a solution has so far proved elusive.

The 1980 Experience

Certainly 1980 brought little encouragement that the price spiral would soon be under control. For the year as a whole, the U.S. Consumer Price Index (CPI) was up by 13.5 percent. For the last five years, inflation has averaged almost 9 percent, a higher pace than at any time since the speculative price surge of the 1920s. The solution 60 years ago turned out to be the worst depression in history. Obviously such an extreme "remedy", accompanied by the personal and social destruction which it would inevitably bring, would not be tolerated today. Nor could it come about given the anti-recessionary buffers built into the economy today.

Housing prices, mortgage rates, and transportation-related costs were the primary contributors to the high rate of inflation during 1980. Increases in these areas accounted for roughly one-third of the 13.5 percent gain in the U.S. CPI last year. With the relative weight of these components heavier in California than in the U.S., the State CPI was up by 15.5 percent, again with a third of the rise attributable to those three critical components.

Table I-5 gives the change in the U.S., Los Angeles-Long Beach, San Francisco-Oakland and San Diego CPIs for 1980 by major category.

Table I-5

Annual Percentage Changes in the Components of the Consumer Price Index, U.S. and California Cities: 1980

	U.S.	*San Francisco SMSA*	*Los Angeles SMSA*	*San Diego SMSA* *
All Items	13.5	15.2	15.7	15.2
Food	8.6	7.4	8.4	9.2
Housing	15.7	18.5	19.7	17.7
Shelter	17.5	18.8	21.9	28.5
Fuel and Other Utilities	16.4	36.9	21.5	25.4
Household Furnishings and Operation	7.9	7.8	8.4	8.5
Apparel and Upkeep	7.1	8.1	10.5	7.3
Transportation	17.8	18.9	17.3	17.6
Private	17.4	18.0	16.5	16.4
Public	25.6	30.9	34.3	41.0
Medical Care	10.9	10.8	12.6	9.5
Entertainment	8.9	12.3	9.0	10.9

*SMSA: Standard Metropolitan Statistical Area.

The CPI: Is it the best measure?

There has been increasing debate recently about whether the CPI is an appropriate measure of the overall rate of inflation. Criticism centers around the fixed weights of the CPI. Briefly, the CPI is based on the 1972–73 Consumer Expenditure Survey conducted by the U.S. Bureau of the Census. Detailed spending records collected during that survey were analyzed for the large metropolitan areas around the country, for rural and non-rural areas, and for cities of different sizes. From these surveys, the Bureau of Labor Statistics (BLS) was able to determine how much the typical family consumed of specific commodities and services. The relative share then became the weight of that item in the CPI.

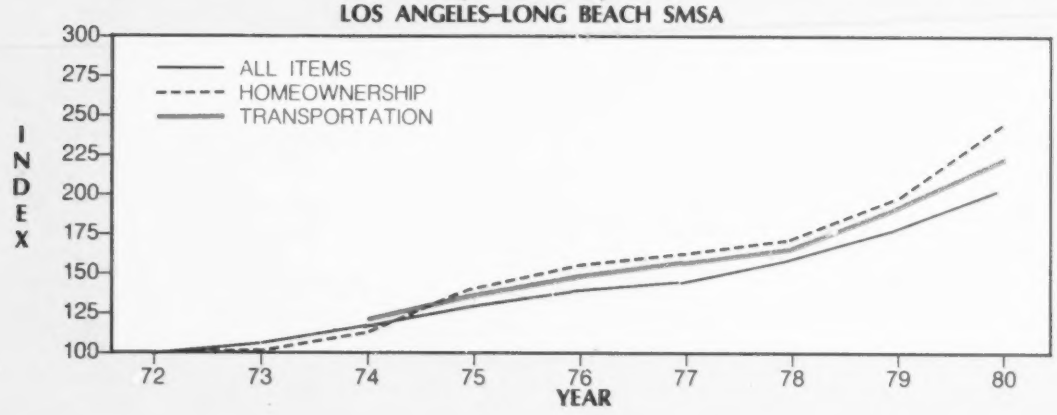
In defense of the CPI, it should be noted that it does what it was intended to do. As a "pure" index, it measures price changes from a base period for a given "market basket" of goods and services. The BLS has never claimed that the CPI measured the cost-of-living or that changes in the index were an accurate measure of inflation.

There are several basic reasons for the popularity of the CPI in figuring inflation. It is published monthly for the Nation and the largest metropolitan areas in the country, and bimonthly for other major SMSAs. It represents a more-or-less typical family spending pattern as of one point in time (1972–73). It is easily

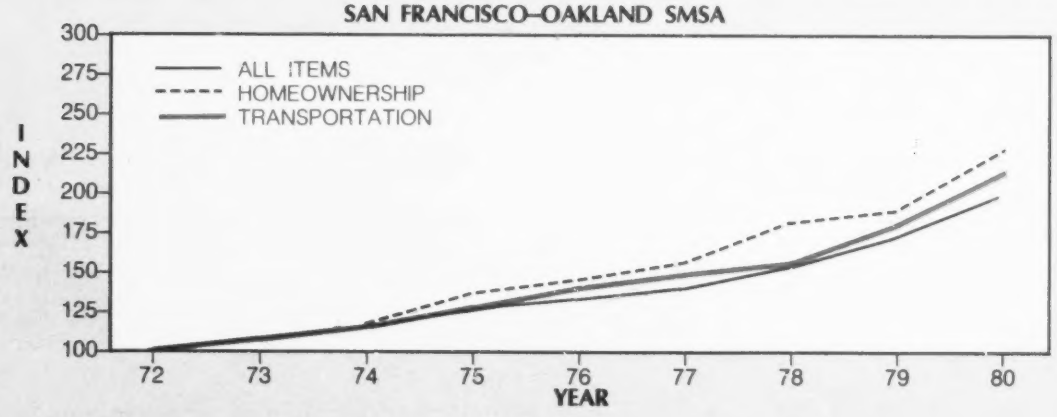
Figure I-6

CONSUMER PRICE INDICES, 1972–1980
(1972 =100)

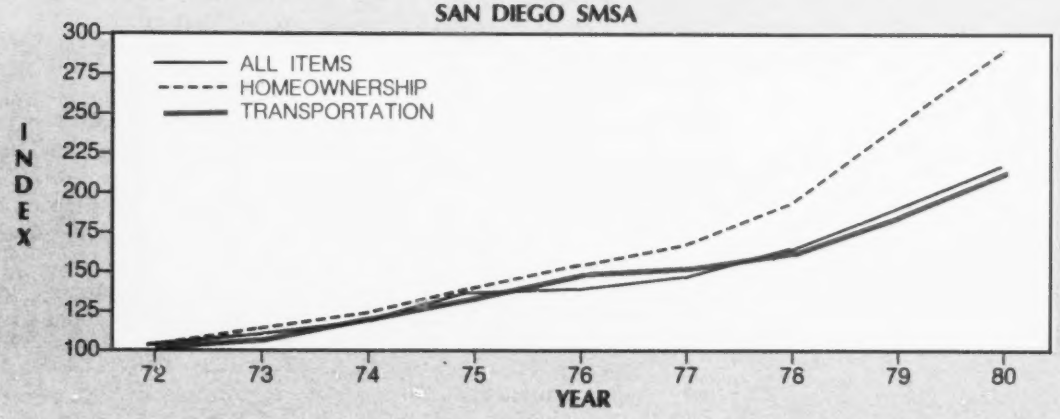
LOS ANGELES–LONG BEACH SMSA



SAN FRANCISCO–OAKLAND SMSA



SAN DIEGO SMSA



explained and understood. Such factors have encouraged use of the index in ways which are not always appropriate.

The CPI is used to escalate the wages of millions of Americans. It is used to adjust rents for apartments and to modify lease terms. Specific components of the CPI may be used to revise insurance coverage, to change pensions, or to set government transfer payments to individuals. Probably the best known application of the CPI in recent years is in the area of social security contributions and benefits.

All of these uses overlook several weaknesses in the CPI—weaknesses that are sufficiently critical to raise the question of whether the CPI itself is part of the inflation problem.

First and foremost are the weights. The basic survey which determined these was taken in 1972–73. This was before the oil embargo, before gasoline prices began to soar, before smaller, more fuel efficient cars became the vogue rather than the exception. The massive grain shipments to Russia, for example, and the subsequent food price runup did not occur until 1974. The wage and price controls implemented in 1971 were still in place. Interest rates were (by today's standard) relatively low. New homes were still affordable.

It was a different world then. And yet, it is basically that world of seven to eight years ago which the CPI still recognizes today.

Individuals are not insensitive to relative price changes. If the price of one commodity goes up more than that for a substitute, consumers will change to the substitute. A classic example of this occurred when beef prices accelerated in 1975. Demand for beef dropped while consumption of poultry and fish gained.

There is also the example of gasoline. Demand is down, whether measured on a per capita, per driver, or per vehicle basis. Yet, the CPI holds its weight relatively constant.

Perhaps the most interesting case involves home purchases. The CPI assumes that 6 percent of the population buys a home every year. While this may not seem like a large proportion, it is capable of radically distorting the CPI when home mortgage rates are rising sharply. In the spring of 1980, mortgage rates hit a peak of 17 percent as savings and loan associations attempted to stifle demand for loans.

Almost no one purchased a home at those rates, and yet home purchases were priced into the CPI. Granted, a decline in rates has just the opposite effect. The Los Angeles CPI fell significantly during July and August last year because of a sharp drop in home mortgage rates. In the meantime, however, CPI increases had been used in a number of escalation provisions—effectively institutionalizing the aberration.

The impact of homeownership costs was pronounced in California last year. For example, the June 1979, to June 1980 CPI increase was 17.3 percent. In large part, though, this rise was attributable to the heavy weight of housing in the three SMSAs in the State. According to the U.S. Bureau of Labor

Statistics, homeownership accounts for 42.4 percent of the San Diego CPI, 30.5 percent of the San Francisco-Oakland index, and 31.3 percent of the Los Angeles-Long Beach CPI, compared with 25.8 percent of the national index. This somewhat surprising disparity makes the State index far more susceptible to large swings in mortgage rates and housing prices than the rest of the country, even though the vast majority of Californians are not adversely affected by such price trends.

The Alternatives

There are various alternatives to the CPI. One of the most appealing is the implicit price deflator for personal consumption expenditures (PCE).

Personal consumption expenditures represent the value of all consumption by individuals in the United States. Since such consumption is calculated in both current and constant (1972) dollars, it is possible to calculate the aggregate change in the price of goods consumed. The PCE deflator is an implicit measure because it is derived from the change between current and constant dollar consumption, rather than from special price surveys.

Deflators are available for any component of the gross national product (GNP). Commonly used price deflators include the overall GNP deflator and the state and local government deflator. These and other deflators measure price changes in areas other than consumption, and are therefore less suitable for showing the changing purchasing power of workers. Since the PCE deflator reflects actual purchases on a quarterly basis, it recognizes shifts in buying habits and preferences. Furthermore, it excludes investment items such as housing. As a result, it is probably a better measure of the impact of inflation for most Americans.

Significantly, the PCE deflator has gone up far less rapidly than the CPI for the past seven years, particularly during periods of rapid inflation such as 1979 and 1980.

	Annual Percentage Change	
	U.S. CPI	*PCE Deflator*
1973	6.2	5.7
1974	11.0	10.0
1975	9.1	7.7
1976	5.8	5.1
1977	6.5	6.0
1978	7.7	6.9
1979	11.3	8.9
1980	13.5	10.2
1973–80 average	8.8	7.5

There are several drawbacks to the PCE deflator. It is not available monthly, but only quarterly. Furthermore, it is a national index; it is not available for California alone.

Nevertheless, it is probably a more suitable measure of price changes affecting individuals.

The California Legislature recognized the problems inherent in the CPI last year, and developed an alternative for one area: the social assistance programs. This creation was dubbed the California Necessities Index, or CNI. It is comprised of the San Francisco, Los Angeles, and San Diego CPI indices for food, clothing, residential rent, fuel and utilities, and transportation. These five categories were felt to be representative of the major expenditures of the program recipients.

While not the ultimate index, the CNI represents an effort to measure the *impact* of inflation on specific groups more precisely.

The Outlook for Inflation

No major relief from inflation is expected soon. The gross national product (GNP) deflator, the broadest overall measure of inflation for the entire economy, is expected to rise by 9.9 percent in 1981, a little more than the 9 percent gain registered in 1980.

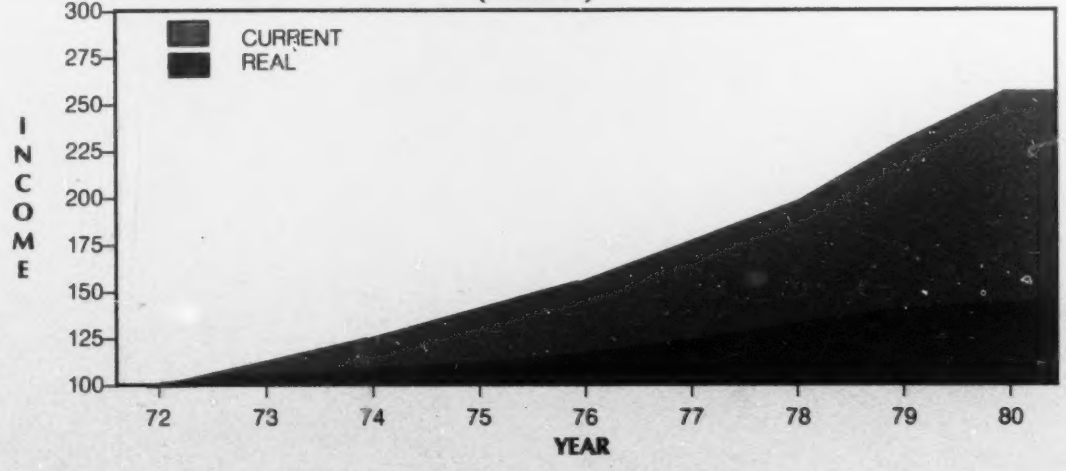
The PCE deflator, in contrast, should fall by more than a percent between this year and last.

Both the U.S. and California consumer price indexes are expected to be up by between 10 and 10½ percent in 1981.

In short, 1981 is not expected to be the year when inflation is brought under control. The solution to inflation will require concerted efforts to decrease the Federal Budget deficit, increase productivity (thereby lowering unit labor costs), and restrain excessive monetary growth and wage gains until a new,

Figure I-7

TRENDS IN CALIFORNIA PERSONAL INCOME, CURRENT AND REAL * DOLLARS: 1972–1980 (Millions)



* REAL DOLLAR DATA DERIVED USING PERSONAL CONSUMPTION EXPENDITURES DEFLATOR.

sustainable equilibrium can be reestablished. A national commitment will be required. Whether or not individual motivations can be held in check long enough to bring this about remains to be seen.

PERSONAL INCOME

The 12.6 percent growth in California personal income during 1980 was surprisingly good for a recession year. Total income rose by $28.8 billion to reach $256.8 billion. Higher employment, rising wages (due in part to inflationary pressures), surging interest income and sharply higher transfer payments (primarily Social Security benefits) were the main factors contributing to the improvement. Per capita income increased by nearly 8 percent to $10,850, putting California in an estimated fourth place among the 50 states.

Real Income

Impressive as these gains are, they do not reveal the trend in real income, which eliminates gains due solely to inflation. In real terms, income has been rising at a below average pace for the past several years. This should lead one to ask, "How well off *is* the average Californian today compared to several years ago?"

There are a number of ways to measure the change in real income. One is to deflate personal income by the consumer price index. This is probably the most widely used method of deriving real income, although it is not the best.

The CPI is based on a fixed "market basket" of goods and services which reflects spending patterns as of 1972–73. Individuals have obviously made significant adjustments in their buying habits since then, partly as a reaction to rising prices, and partly in response to changes in preference. A fixed-weight index is therefore less appropriate than an index which more accurately reflects current spending patterns. A viable alternative is the PCE deflator discussed earlier in the section on inflation. On that basis, real income has continued to rise even during the past year in both total and per capita terms. Table I-6 summarizes this trend since 1960.

Table I-6

California Income Trends 1960–80
(Percent change)

	Total Personal Income	
	Current Dollars	*Real Dollars* *
1960–64	6.9	5.5
1965–69	8.5	4.8
1970–74	9.1	3.1
1975	11.1	3.2
1976	11.5	6.1
1977	12.2	5.8
1978	13.8	6.5
1979	14.8	5.5
1980	12.6	2.2

* Personal income deflated by the U.S. personal consumption expeditures deflator.

The Outlook

California personal income is expected to grow moderately during 1981. The percentage increase for total income will be similar to the gain reached in 1980. Due to an anticipated slowdown in inflation, however, real income should be much stronger in the current year. In the next year, both current dollar and real dollar income are expected to show improvement.

Wage and salary income, which comprises about two-thirds of personal income, is expected to grow at a slower rate than the remaining personal income components. The strongest personal income gains are expected in other labor income, interest, and transfer payments. As general economic conditions improve during late 1981 and 1982, proprietors' income is forecast to grow steadily.

Table I-7 summarizes the outlook for California personal income.

Liquidity

Individuals measure their well-being by more than their money income. They also include other liquid assets. Two of the key measures of such assets are changes in home and stock market prices.

For years, rising stock prices and resulting paper profits have instilled confidence in investors. They have felt more willing to commit themselves to major purchases, and by doing so, they have helped stimulate the economy. Just the reverse occurs during a pronounced slide in the market.

The trend in home prices seems to be permanently on the up side. Between 1975 and 1980, the average home appreciated in value by 100 percent. The equity this represented continues to be a powerful inducement to consume. Many people seemed to

Table I-7

California Personal Income, 1980–1982
(Dollars in billions)

		1981		1982	
	1980	Dollars	Percent Change *	Dollars	Percent Change *
Total Personal Income	256.8	289.3	12.7	327.3	13.1
Wages and Salaries	160.2	178.1	11.2	201.4	13.1
Other Labor Income	15.5	17.7	14.1	20.1	13.7
Farm Proprietors' Income	3.5	3.7	7.2	4.0	6.8
Nonfarm Proprietors' Income	15.8	17.6	11.0	20.3	15.6
Interest Income	28.9	34.2	18.3	38.5	12.6
Dividend Income	7.2	8.2	13.7	9.5	16.7
Rental Income	3.4	3.6	3.5	3.7	4.5
Transfer payments	33.4	38.7	16.0	43.7	12.9
Less: Contributions for Social Insurance	10.9	12.4	14.2	13.9	12.4

* Percent change calculated on unrounded data.

regard that equity as a plan for current savings in lieu of making savings deposits at financial institutions. Others took advantage of moderate interest rates to borrow against this equity for major purchases. Financial institutions made this easy to do.

Unreported Economic Activity

There is a considerable amount of economic activity that is not measured directly. There always will be. Analysts may refer to it in passing, but it is rarely given serious consideration in explaining economic developments. To a great extent this is because precise—or even rough—estimates are impossible to obtain.

There are those who maintain that the underground is no more important now than it was 10 or 20 years ago, and can therefore be ignored for all practical purposes. Yet, the circumstances which facilitate, and even encourage, unreportable activity have become more important in recent years.

A major factor is the Federal income tax. The relatively high average wage in construction, for instance, is a strong incentive to work during free periods on small jobs for which no records will be kept. At the other extreme, the relatively low wage in services and trade reflects the tendency for many types of businesses in these sectors to pay near minimum wages, knowing full well that their employees will receive a substantial amount of tips and that only a minimum part of such income will be reported for tax purposes.

Another contributing factor is inflation. Table I-8 gives a measure of real average earnings using 1960 as the base year. The series has been converted to real terms by use of the consumption (PCE) deflator discussed earlier. In this real earnings comparison, it becomes apparent how much of an "inflation tax" individuals have been paying. As long as this situation persists, there will be a thriving underground economy.

Other factors that are relevant, although of lesser importance, are discontent with reporting requirements for various levels of government, and outright fraud. The latter can be distinguished from the earlier examples only by degree and intent. The former could be thought of as a means of avoiding an unwarranted inflation tax, the latter as complete avoidance of the established system.

The Internal Revenue Service (IRS) has estimated the size of the underground nationally at $125 billion to $135 billion as of 1976, roughly equivalent to 14 percent of wages and salaries and nonfarm proprietors' income in that year. It is likely that this is an extremely conservative figure, considering the tax compliance question which would be raised by a higher figure.

Table I-8
Real Average Wages in California *
1960, 1970 and 1980

	1960	*1970*	*1980*
Total nonfarm wage and salary workers..	$7,771	$8,895	$8,775
Mining	9,343	11,430	13,980
Construction	9,202	11,946	11,360
Manufacturing	8,690	10,115	10,080
Transportation-utilities	8,554	10,597	11,836
Trade	6,664	7,181	6,821
Finance-insurance-real estate	7,628	8,848	8,995
Services	6,863	7,578	7,952
Government	—	—	—
Federal	7,930	10,636	10,704
State and local	7,343	8,701	8,198

* Total wages and salaries divided by wage and salary employment. Real wages calculated using the U.S. personal consumption expenditures deflator (1972 = 100).

Other available estimates are substantially higher than that released by the IRS. At the high end is an estimate prepared by the University of Wisconsin. Using data on the money supply and consumer credit, it placed the underground at a staggering $704 billion as of 1978. This would be equal to 40 percent of personal income in that year and almost one-third of the GNP.

California undoubtedly has more than its fair share of the underground. Some employment sectors which are especially receptive to nonreporting have a heavier weight in California than in the rest of the nation as shown in Table I-9.

Table I-9
Percent of Nonagricultural
Wage and Salary Employment, 1980

	California	*U.S. Excluding California*
Construction	4.5	4.9
Retail trade	17.0	16.8
Restaurants	5.6	5.3
Services	22.1	19.6
Total for three sectors	43.6	41.2

The State has slightly over 10 percent of the Nation's population, 12.2 percent of all personal income, and perhaps 15 percent (again, a conservative guess) of the Nation's underground. Using the mid-range for the national total, California's underground may amount to $45–$75 billion, a considerable total given personal income of nearly $256 billion last year.

An intriguing aspect to the underground is that although it is not reported on the income side, it is recorded when spent. The growth in retail taxable sales in the State has consistently

outpaced the growth in income for the past five years. Credit may have accounted for part of the disparity, and the underground may well have accounted for much of the rest. Since the mid-1970s there has seemed to be an inconsistency in the relationship between personal income and taxable retail sales. The relative gain in sales has far outstripped that for income.

The traditional explanation for this phenomenon has been the use of consumer credit. Certainly this is one factor. Total consumer credit outstanding in California, as released monthly by the Federal Reserve Bank of San Francisco, showed a sharp rise in 1977 and 1978. If national and 12th Federal Reserve District data are any guide, most of the increase during this period was due to expanded use of bank credit cards.

That the change in income and credit together *still* falls short of matching the gain in sales is a strong argument for the existence of a large underground economy in the State.

AFTERMATH OF A CENSUS

The preliminary news from the 1980 Census shows that California's population is 600,000 greater than previously estimated.

Those 600,000 additional people may explain some of the anomalies which have cropped up in the last few years: the rapid growth in the labor force and employment; taxable retail sales higher than could be supported by income levels, reasonable estimates of consumer credit growth and allowance for the impact of the underground economy; reports of severe housing shortages in the most heavily urbanized area of the State.

The 1980 Census, in effect, requires a reevaluation of where the State has been and where it is going. The process is lengthy and will take some time to complete.

There are, however, some tentative conclusions which might be drawn:

- The traditional census undercount problem was greatly reduced in 1980.
- Net migration into California has been underestimated for the past five or six years.
- The State snapped back from the aerospace-triggered slowdown in migration of the early 1970s with an unexpected vitality.
- Effective income levels, estimated in part by population totals, are probably significantly understated, particularly when unreported economic activity is taken into consideration.
- School enrollment data from both public and private schools have indicated a decline over the past several years. This suggests that a large proportion of those 600,000 must be single individuals, childless couples of working age, or retirees.

3—81995

Economic reports for prior years have commented on the exceptional growth in services employment in the late 1970s. More rapid population gains go far to explain such a development. New workers in the State move into service-type industries (as well as other sectors) and the demand they create leads to the opening up of still more job opportunities.

One big question remains unanswered: Is there still a serious undercount problem for California? Superficially, at least, the answer would seem to be no. Population data now being developed are relatively consistent with data from other sources. The extensive advance publicity given the Census project and public support expressed by representatives of key groups reportedly met with success.

The undercount problem, therefore, is probably much less serious than in prior censuses, or in other major states.

The Census in Brief

The census did produce some very interesting statistics.

Total population in California, April 1, 1980:	23,668,562
1970 Population:	19,971,069
Percent growth since 1970:	18.5%

Largest counties	*Population*	*Percent of State*	*Percent Growth Since 1970*
Los Angeles	7,444,521	31.5	5.7
Orange	1,925,840	8.1	35.5
San Diego	1,857,492	7.8	36.8
Santa Clara	1,290,487	5.5	21.1
Alameda	1,101,070	4.7	2.8
San Bernardino	877,636	3.7	28.6

Fastest growing counties	*1980 Population*	*Percent Increase Over 1970*
Alpine	1,093	125.8
Mono	8,589	113.9
Nevada	51,751	96.4
El Dorado	85,709	95.5
Lake	36,507	86.7
Mariposa	11,055	83.8
Trinity	11,849	55.6

Only county declining in population: San Francisco (−5.8 percent).

Net migration into California, 1970–80: 2,062,000

Data on gains for the decade should be used with caution. To the extent that 1980 reflects a better count, growth rates will be overstated.

II. TAX RELIEF

The threat of economic stagnation, ongoing budget deficits and unacceptable levels of inflation have stimulated discussion of supply side economics as opposed to the traditional demand side economics of the past 40 years. Public opinion appears to be shifting to a desire for less direct government action in the overall economy, and a greater role for the private sector. It is felt by many that the private sector has not come up to its potential in recent years.

Tax relief at all levels of government has become an integral element in the debate which has developed. Questions such as whether tax cuts are appropriate in the current inflationary environment, how potential tax cuts should be distributed and the best means of stimulating savings and new investment have become critical in the formulation of public policy.

While large-scale tax relief is being debated in the Nation, it exists for Californians. Between 1975-76 and 1981-82, people in this State will have received approximately $44 billion in relief through a variety of tax reduction measures:

- Property tax cuts (Propostion 13)
- Income tax indexing
- Personal income tax credits
- Elimination of the business inventory tax
- Renters' credit
- Homeowners' property tax exemptions

These six programs accounted for 95 percent of all State and local tax relief provided over this period. The remaining 5 percent, or $2.1 billion, arises from items such as energy credits, senior citizens assistance programs, exemption from tax of the first $100,000 profit from the sale of a home, the low income credit and reductions in the inheritance tax. The last is small in comparison, but is growing rapidly and will rise to $185 million by the 1982-83 fiscal year.

Table II-1 summarizes tax relief by program since 1975-76. Property tax reductions are the largest component to date. Income tax relief via indexing, the fastest growing item, could result in a greater reduction of taxes by the mid-1980s than the cut attributable to Proposition 13.

TAXES PER CAPITA

The impact of tax reductions is particularly evident on a per capita basis. In the 1968-69 fiscal year, California's State and local taxes of $540 per capita were the highest in the Nation. By 1979 the ranking of this State had fallen to tenth. Also significant is that the percentage increase in California per capita taxes between 1969 and 1979 was the smallest among the 50 states. These are notable achievements for a state of California's size, diversity, industrialization, and range of government programs.

Table II-1
Tax Relief by Fiscal Year
(In millions)

Local Property Tax Relief	*1975–76*	*1976–77*	*1977–78*	*1978–79*	*1979–80*	*1980–81*	*1981–82*	*Total*
Proposition 13	—	—	—	$7,000	$7,000	$7,000	$7,000	$28,000
Homeowners' Exemption	$757	$760	$759	337	328	332	335	3,608
Inventory Relief	363	387	418	211	224	496	555	2,654
Open Space	16	18	19	13	13	14	14	107
Total	1,136	1,165	1,196	7,561	7,565	7,842	7,904	34,369
State Tax Relief								
Personal Income Tax Indexing	—	—	—	237	631	1,712	2,468	5,058
Other Personal Income Tax	184	225	270	1,008	504	552	579	3,322
Miscellaneous Business Taxes	1	3	4	34	47	109	91	289
Inheritance $ Gift Tax	—	—	—	—	9	7	129	145
Energy Credit	—	2	13	24	26	27	71	163
Other	1	2	4	6	7	460	69	549
Total	$186	$232	$291	$1,319	$1,224	$2,876	$3,407	$9,526
Total Taxpayer Benefits	$1,322	$1,397	$1,487	$8,880	$8,789	$10,709	$11,311	$43,895

Source: California Department of Finance, Financial Research

State and Local Taxes Per Capita,
Fiscal Years 1968–69 to 1978–79

	Amount		*1969–1979 Percent Increase*	*Rank 1969*	*Rank 1979*
	1969	*1979*			
U.S. Average	$380	$934	146	—	—
California	540	1,058	96	1	10

Source: U.S. Department of Commerce, Bureau of the Census, *Government Finances*

TAXES RELATIVE TO INCOME

Another way of examining tax relief is by comparing tax collections to personal income. The progressively rising income tax and escalating property values were two major factors over the years increasing the share of personal income going to taxes.

During Fiscal Year 1968–69, California ranked fifth among the 50 states in taxes per $1,000 of personal income. By 1978–79, California's rank had dropped to 23rd. This represents a 12 percent decline in taxes relative to income over the decade. The following summarizes California and U.S. taxes in relation to income:

State and Local Taxes per $1,000 of Personal Income, Fiscal Years 1968–69 to 1978–79

	Amount		Percent	Rank	Rank
	1969	1979	Increase	1969	1979
U.S. Average	$112	$120	7	—	—
California	137	121	−12	5	23

Source: U.S. Bureau of the Census, *Quarterly Summary of State and Local Tax Revenue*, and U.S. Bureau of Economic Analysis, State personal income series.

These figures indicate only a fraction of the entire tax burden issue. Impressive as these trends are, the *total* tax burden for Californians remains high—solely as the result of Federal tax levels. In fact, reductions in State and local taxes, which are itemized deductions on Federal returns, have led to an *increase* in the Federal tax burden. In the case of California personal income tax or property tax reductions, for example, about one-fourth to one-third of all savings are "exported" to the Federal Government, and therefore provide no identifiable benefit to the people of this State.

A frequent question relates to the stimulus which tax relief has had for the California economy. There is no doubt that such benefits have had a positive impact. It is impossible, however, to estimate how great that impact has been. California was experiencing a phenomenal growth rate before Proposition 13 was enacted, a rate of expansion not matched since. The 1980 recession, of course, can be credited with causing much of the slowdown last year. Other factors are also at work, however. If tax relief is a positive factor, high home prices and supply problems are a deterrent to labor force mobility and overall growth. While property tax relief has increased discretionary income, it may also have discouraged the sale of existing homes which enjoy low tax levels.

California is in the forefront of the tax relief movement. Tax relief here is large. It has also led to a greater degree of fiscal restraint on the part of government, which has been forced to live with reduced resources. The decisions of the next 12 to 24 months will reveal how effectively the competing demands for further tax relief and continued high levels of services can be balanced.

INDEXING AND THE INCOME TAX

Indexing is probably one of the least understood tax relief provisions in the law, even though it has benefited taxpayers significantly over the past three years.

The law currently provides for indexing of tax brackets, the standard deduction, dependent credit and the personal exemption. Each of these is adjusted upward to eliminate the "inflation tax" which arises as taxpayers are pushed into higher tax brackets with little gain in real income.

Indexing came into force with the 1978 income year. For the first two years, the adjustment factor used for the brackets was the June over June percentage change in the California Consumer Price Index (CCPI) less 3 percent. The 3 percent threshold was, in effect, an allowance for real gains which have historically run at roughly that rate. The standard deduction, dependent credit and the personal exemption were first indexed in 1979, by the full percentage change in the CCPI.

A law change in 1979 approved full indexing for 1980 and 1981 for the brackets as well—that is, the total change in the CCPI *without* the 3 percent exclusion. Under existing law, the indexing factor for the brackets will again take the 3 percent threshold into account for 1982 and succeeding years.

Indexing has sharply reduced the growth in income tax collections over the past 3 years. It is estimated that, under current law, tax relief from indexing will grow by $700 million a year.

	Indexing Factors For Tax Brackets	*Indexing Factor For Standard Deduction And Personal Credits*	*Annual Tax Relief (Millions)*
1978	5.22%	—	$247
1979	6.88%	9.88%	631
1980	17.33%	17.33%	1,712
1981 (estimated)	10.00%	10.00%	2,468

If the Federal income tax had been indexed by the same factors used in California, tax savings to individuals would have amounted to a staggering $56 billion in the 1980 income year alone—a far greater cut than that now being considered by national policy makers.

The impact is also evident from the changes over time in the tax brackets. In 1977, the maximum (11%) tax bracket for joint returns started at $31,000. For income earned in 1981, the maximum rate will not be effective until taxable income reaches an estimated $45,000. This represents an increase of 45 percent over four years, or an average 9.75 percent a year. Persons whose income has not grown at this pace could actually find themselves in *lower* tax brackets than in 1977.

The lower income limit for each tax bracket under joint returns from 1977 to 1981 is shown in Table II-2.

Table II-2
Tax Brackets on Joint Returns, 1977–81

Tax Brackets	*1977*	*1978*	*1979*	*1980*	*1981(e)*
1%	0	0	0	0	0
2%	4,000	4,200	4,480	5,260	5,780
3%	7,000	4,200	4,480	5,260	5,780
4%	10,000	7,360	7,860	9,220	10,140
5%	13,000	13,680	14,620	17,160	18,880
6%	16,000	16,840	18,000	21,120	23,240
7%	19,000	20,000	21,380	25,080	27,580
8%	22,000	23,140	24,740	29,020	31,920
9%	25,000	26,300	28,120	33,000	26,300
10%	28,000	29,460	31,480	31,940	40,640
11%	31,000	32,620	34,860	40,900	45,000

III. THE STATE AND LOCAL FISCAL PICTURE

ISSUES OF GOVERNMENT

The issue of government finances has become increasingly critical over the past several years. Tax burdens were rising during much of the 1970's, fueled by inflation. Real income growth was moderate at best. Rapidly increasing home values, a phenomenon which developed in part from the period of speculation in the mid-1970's and ongoing supply shortages, led to frequent inequitable surges in property taxes. These situations planted the seeds for the tax revolt movement.

Proposition 13, approved by the voters in June 1978, was not the first tax relief measure enacted in California, but it became by far the best known with its massive effect on an estimated 16 million California residents and businesses. Proposition 13 quickly gained national recognition as a manifestation of the power of the electorate to curb government actions. It led to further proposals to reduce, or at least hold down, the level of taxation and prevent "unnecessary" growth of government. The measure served as a model for similar initiatives in other states.

Tax relief has grown steadily over the past half-dozen years, with significant changes in business taxes and the personal income tax.

By 1981–82, total tax relief in California since 1975–76 will amount to a staggering $44 billion.

Most important, this has been possible with only minor disruptions in services up to this time. The time has arrived, however, when further tax reductions should require reconsideration of the role of both State and local government programs and priorities. Questions on appropriate services and how they should be funded—whether from general revenue collections or specific fees—have already arisen. The issue of how to provide reasonable levels of assistance for those in need is an annual issue. Maintaining a strong and effective public employment sector may become more difficult as time passes, yet it must be guaranteed if services are to be delivered effectively and efficiently.

Proposition 13

In June 1978, California voters approved Proposition 13 which reduced local property taxes by more than 50 percent. The State, having accumulated a large surplus over the previous few years, was in the fortunate position of being able to step in and provide local government with the replacement of most of those lost funds. Prior to the beginning of the 1978–79 fiscal year the Governor signed a one-year local government fiscal relief package which provided $4.4 billion to cities, counties, special districts and schools.

A long-term local financing measure (known as AB 8) was adopted in 1979 providing funding for city, county and special district services from property taxes which had previously supported schools. At the same time, the State increased its financial assistance to school districts to replace the loss in property tax.

In addition, the State permanently assumed the responsibility for several major health and welfare programs, which had been funded by counties. The total State cost of local fiscal relief amounted to $4.9 billion in 1979–80 and is estimated at $5.5 billion for 1980–81.

It was recognized in 1979 that the State might not have sufficient resources to maintain the level of relief beyond the first year. The Legislature therefore added a provision to the local fiscal relief package which would provide an automatic deflator to reduce the amount of relief if State revenues did not grow at a given rate. This effectively made the State and local governments partners. If there were insufficient revenues to fund government in California, all entities of government would share in required reductions.

Revenues in 1981–82 will not be sufficient to prevent the deflator from being activated. The Administration has proposed, however, that the reduction in local fiscal relief be less than the amount called for by the deflator, which would entail a 5 percent cut from the previous year's local government revenues. It has been recommended instead that resources available to local governments be permitted to increase by about 7 percent during the coming fiscal year to avoid the drastic adjustments which would otherwise be required.

Table III-1 shows the annual impact of Proposition 13 on local governments.

In real terms (or adjusted for inflation) local government spending was reduced sharply between 1977–78 and 1978–79, and has experienced only moderate growth since then. It should be noted that these aggregate numbers do not take into account the diverse situations of governmental entities in California. With over 5,000 units of local government in the State, there are many that do not have sufficient resources to provide an adequate level of service. Others, such as many special districts, have been able to increase user fees to maintain services.

Table III-1

SUMMARY OF LOCAL REVENUES BEFORE AND AFTER PROPOSITION 13 INCLUDING THE PROVISIONS OF AB 8

(Dollar amounts in millions; expenditures per ADA in dollars)

	1977–78	*1978–79*	*1979–80*	*1980–81*	*1981–82*[3]
Education					
K–12 and County Offices:					
Property Tax[1]	$4,375	$2,107	$1,755	$2,030	$2,888
Other Revenues	12	76	21	21	21
State Assumption of Program Costs	—	2,193	3,187	3,522	3,418
State Apportionments	2,323	2,618	2,726	2,305	1,870
Categorical Aid	707	756	1,065	1,972	2,047
Total	$7,417	$7,750	$8,754	$9,850	$10,244
ADA	4,652,486	4,271,181	4,206,150	4,229,300	4,231,400
Expenditures per ADA	$1,594	$1,814	$2,081	$2,329	$2,421
Community Colleges:					
Property Tax[1]	$743	$325	$271	$314	$451
Other Revenues	—	16	—	—	—
State Assumption of Program Costs	—	260	408	460	500
State Apportionments	473	539	568	629	469
Total	$1,216	$1,140	$1,247	$1,403	$1,420
ADA	718,303	634,895	664,765	710,700	728,700
Expenditures per ADA	$1,693	$1,796	$1,876	$1,974	$1,949
Local Agencies					
Counties:					
Property Tax[1]	$3,154	$1,349	$1,858	$2,209	$2,351
Other Revenue[2]	1,358	1,590	1,918	2,046	2,230
State Assumption of Program Costs	—	1,071	1,309	1,518	1,694
Block Grant	—	424	—	—	—
Total	$4,512	$4,434	$5,085	$5,773	$6,275
Cities:					
Property Tax[1]	$1,073	$448	$725	$879	$755
Other Revenues[2]	2,720	3,196	3,673	4,005	4,464
Block Grant	—	221	—	—	—
Total	$3,793	$3,865	$4,398	$4,884	$5,219
Special Districts:					
Property Tax[1]	$905	$362	$618	$728	$794
Block Grants	—	190	—	—	—
Total	$905	$552	$618	$728	$794

[1]Property tax revenue includes reimbursement for the Homeowners's and Business Inventory Exemptions; and excludes voter approved debt service levies and collections for redevelopment agencies. The 1981–82 collections have been adjusted to reflect the unsecured property taxes and other property taxes shifted to schools.
[2]Includes only unrestricted revenues.
[3]As proposed in the Governor's Budget.

Proposition 4

On November 6, 1979, California voters approved a constitutional amendment which placed a limit on the year-to-year growth in tax supported appropriations of the State and most individual local governments.

The amendment provides that growth in tax-supported programs beginning in 1980–81 cannot exceed the combined percentage change in the United States Consumer Price Index (CPI) and population. Furthermore, if the CPI change exceeds the growth in California's per capita personal income, the change in income is used in place of the CPI factor.

The limit for each year is calculated from the allowable appropriation level rather than actual appropriations. In this way, there are no pressures on government entities to spend tax dollars up to the limit in any given year solely to maintain a high appropriation base.

When revenues exceed the allowable appropriation level, the excess revenues must be returned to taxpayers by a rate reduction or refund within the next two years. The amendment does allow appropriations to be placed into a reserve account in one year for expenditure in future years as long as appropriations are kept within the limit. Expenditure of those appropriations in future years does not count as an appropriation subject to limit in the year of expenditure. This allows State and local governments to provide for future needs and to avoid financial swings which can develop over national business cycles.

So far the State has stayed comfortably within the limit imposed by Proposition 4. The situation for local governments has been somewhat different, however. Some are well below the limit; others may reach their individual limits this year as revenues have increased at a faster pace. The latter situation is expected to become more common as the economy and the housing market improve. An accelerated rate of turnover in owner-occupied homes and stronger levels of new construction activity will lead to higher property tax collections as market values are reestablished. At such time adjustments may be necessary to hold revenues down to the amount required for allowable appropriations.

The Mechanics of the Limit

Proposition 4 was structured with consideration of the complexities and interaction of State and local governments.

Appropriations subject to limitation exclude programs financed from fees and user charges which cover the cost of services.

State legislative mandates on local governments which require a new program or a higher level of service for an existing program must be reimbursed by the State. This further strengthens the

bond between State and local governments. Some mandates are exempt from reimbursement by the State, however:

- those which are requested by the local agency affected;
- legislation which defines a new crime or changes an existing definition of a crime; and
- mandates enacted prior to January 1, 1975 and executive orders or regulations which implemented legislation enacted prior to January 1, 1975.

The amendment excluded four types of appropriations to facilitate implementation:

- debt service;
- appropriations required to comply with mandates of the courts or the Federal Government;
- spending by special districts in existence on January 1, 1978, which did not levy a property tax in excess of 12½ percent per $100 of assessed value during 1977–78; and
- spending by special districts currently existing or created in the future by a vote of the people which are entirely funded by user fees.

The limit may be adjusted by a vote of the people, with such an adjusted limit in effect for four years. After that period, it must be reenacted to be continued.

In recognition that situations can change abruptly, provision has been made for any government entity to declare an emergency and exceed the limit. In such an event, the appropriations limit within the next three years must be reduced to prevent an aggregate increase in appropriations resulting from the emergency.

The imposition of these two constitutional amendments—Proposition 13 and Proposition 4—has clearly limited government expenditures in California.

Federal Revenue Sharing

The original Federal Revenue Sharing program began in 1972 and ran until 1976, at which time it was extended until 1980. Under this program financial aid was provided to State and local governments based upon statutory formulas that utilize such data as population, tax effort, per capita income and income tax collections. The intent of the program was to provide funds for State and local projects with high priorities, few restrictions and little red tape involved.

From 1972 through 1980, California's State and local governments received a total of $2 billion and $4 billion, respectively.

In December of 1980, the Federal Revenue Sharing program was again extended. Although there were few changes for local governments, there were major changes insofar as the states were concerned. The latest legislation provided no funds for

state governments in 1980–81, the first year of the program. In the second and third years, however, states may be eligible for revenue sharing. Payments will be contingent upon two factors:

- Congress must appropriate the funds, and
- the states must give up an equal amount of the Federal categorical grants they would otherwise have received.

Thus, even if Congress provides funding for states in the coming years, the states will not receive any additional revenue. They will have the option of trading funds with limited usage and much red tape (categorical grants) for funds with few restrictions and administrative requirements (revenue sharing). The President's proposals to consolidate numerous categorical programs into a few block grants will limit this option drastically.

Under the prior program, California had been receiving approximately $260 million per year in revenue sharing payments. In recent years, these revenues had been used to partially fund State costs for the State Supplementary Payment Program, providing benefits to augment the income of aged, blind and disabled social security recipients with very low incomes.

Local governments in California are scheduled to receive $494.5 million for the current entitlement period which runs from October 1980 through September 1981. This represents a drop of $38 million, or 7.2 percent, from the prior entitlement period. The reduction in tax revenue attributable to Proposition 13, is for the first time, being reflected in the data elements used to calculate California's revenue sharing. Because the State's tax effort has been reduced, local governments' revenue sharing receipts have also been cut.

Inflation and the State Budget

Inflation has a vise-like grip on the State Budget at the present time.

Expenditures are being driven up by automatic escalation clauses written into the statutes and by discretionary increases granted in the interest of equity.

On the revenue side, indexing has sharply curtailed the growth of financial resources. In the 1981–82 fiscal year, statutory increases would normally add $1.33 billion to the Budget. Income tax indexing and the economic slowdown will in reality hold such adjustments to only $742 million.

Only the existence of a substantial surplus as of June 1978 kept inflation from becoming a serious issue sooner. The surplus was used over a period of three years to assist local governments to make up the revenue shortfall from Proposition 13. With the surplus effectively exhausted by June 1981, however, the balancing of revenues and expenditures will again become a burning issue.

STATE AND LOCAL GOVERNMENT BONDS

The use of state and local tax-exempt bonds is changing in California as in the Nation. The total number of public bonds issued is rising rapidly. Bonds have traditionally been used for clearly public purposes such as highways and sewage plants. Today they are increasingly being used for what were previously private functions, including middle-cost housing, medical equipment, and industrial plants.

These changes carry some dangers for the State's credit rating. A lower rating translates into higher government costs for issuing bonds. In some cases, these lower cost loans may constitute a subsidy of recipients at the expense of the general taxpayer.

Interest paid on most bonds issued by State and local governments is exempt from Federal and State income taxes. As a result, the bonds can be sold at substantially lower interest rates than must be paid on bonds floated by, for example, private industry. The "low cost money" raised can be used to build public projects, or under certain restrictions can be loaned to private citizens or companies and used to buy houses or industrial equipment.

There are several reasons for the growing popularity of tax exempt bonds. One is a consequence of legislatively enacted tax cuts following passage of Proposition 13. The growth of government revenues declined, but the problems demanding public solution did not. In a number of cases, tax exempt bonds seemed like the easy way to help solve those problems.

Second, since the revenue loss from such bonds is borne largely by the Federal Government, neither State nor local jurisdictions have a direct incentive to be concerned about the proliferation of new issues. Finally, the rapid escalation in interest rates in the last few years has focused attention on the cost of borrowing money. For some periods, the spread between private market interest rates and tax exempt rates increased, making public bonds strikingly attractive. The market for these bonds broadened at the same time, as inflation drove more taxpayers into higher tax brackets.

The increase in the volume of public bonds has not been uniform. Issues for traditionally public purposes like police stations, roads, and sewer systems have actually declined. Most of the reduction was at the expense of local governments, and was probably due to Proposition 13 which sharply limited the ability of local governments to increase their revenue base. Public borrowing for all purposes other than housing fell from $2.2 billion in 1977–78 to $1.7 billion in 1979–80. Given the rapid rate of inflation over that period, this represented a decline of about 50 percent in real purchasing power.

That the State's population has continued to increase suggests that essential public services, from police stations to sewer plants, are spread much more thinly than in the past. It also suggests that the ability of local governments to provide services needed for new housing developments is going to run out.

The area of greatest expansion has been in housing bonds. After catching on slowly in the mid-1970s, the volume of such bonds rose from $414 million in 1977–78 to $2.2 billion in 1979–80 a 528 percent increase. Put another way, housing bonds increased from 16 percent of all State and local bond issues in 1977–79 to 56 percent in 1979–80. The trend in the second half of 1980 continued strongly upward.

The potential for future bond expansion has also been increased. In the last two years, new State legislation has raised the bonding authority of State and local agencies by more than $4 billion. Eleven bond programs have either been newly created or substantially increased. Most are still largely unused, however.

Housing Bonds

A city decides to issue housing bonds. It makes arrangements with a bond underwriter, obtains any necessary State approvals, and sells, for example, $50 million worth of bonds. The city then assigns the money to one or more savings and loan associations, mortgage brokers, or banks. The lending institutions arrange loans for homebuyers and collect monthly payments. The payments are used to pay off the bondholders. Legally, there is no public obligation to pay off these bonds should a homebuyer default. The bonds are secured only by the mortgages on the purchased homes. Because the $50 million was raised at below-market, tax exempt interest rates, mortgage loans can be made to homebuyers at something like two percent below prevailing private mortgage rates.

California governments are allowed to issue housing bonds under several different lines of authority. The principal State programs are:

- The Cal-Vet program, which makes home loans available at substantially below the market rate to qualified veterans who live in California. In 1979–80, bonds worth $675 million were issued under this program. The California National Guard has a much smaller, but otherwise similar, program.
- The California Housing Finance Agency, which uses bond money to finance the construction and rehabilitation of both rental and owner-occupied housing for low-income persons. In 1979–80, about $370 million was issued under this program.
- The University of California, which uses housing bonds to make lower cost mortgages available to faculty members.

Local government programs include:

- The Marks-Foran program, which allows local governments to use housing bond money to make loans for rehabilitating dwellings in designated rehabilitation areas. This program was created in 1973, and is fairly small.
- The Redevelopment Construction Loan Program, more commonly known as SB 99. Enacted in 1975, this law allows localities to use housing bonds to make mortgage loans in redevelopment areas. There are no limits on the incomes of

recipients or on the prices of houses financed. This law has been the authority for most local housing bonds so far.

- The Local Housing Finance Agency Bond Act, more commonly known as AB 1355. This law allows local governments to use housing bonds to finance mortgages anywhere within their jurisdiction, not just in redevelopment areas. It requires that mortgages be limited to households with income not over 120 percent of the area's median income. It also requires that all issues be approved by the State Housing Bond Credit Committee.
- California charter cities are granted broad power to conduct municipal business without any specific legislative authorization. Charter cities have sometimes claimed authority to issue housing bonds on their own, without being subject to any of the restrictions just outlined.

All of these programs are now slightly changed. Congress passed the Mortgage Subsidy Bond Tax Act, more commonly known as the Ullman bill, at the end of 1980. This law set new Federal restrictions on housing bond issues. Most importantly, it:

- Limits the total amount of housing bonds issued in each state to 9 percent of the average annual total dollar volume of mortgages issued in the state in the last three years.
- Requires that housing bond money be used only for houses that do not cost more than 90 percent of the average house price in the area.
- Offers one system for allocating housing bond authority among localities, but allows each state Governor or Legislature to replace that system with another of its choosing. California's Legislature will face this choice this year.

Other New Bond Authorizations

California law has allowed bonds to be used for traditional public purposes and for some semi-private purposes, such as pollution control equipment, for a number of years. These authorities have been expanded in the last two years. During that time, the California Legislature has:

- Created the California Health Facilities Act, allowing $767 million in revenue bonds.
- Created the California Student Loan Authority, allowing $150 million in revenue bonds.
- Created the California Industrial Development Financing Act, allowing $200 million in revenue bonds.
- Increased the authority for veterans' revenue bonds by $500 million.
- Increased the authority for veterans' general obligation bonds by $750 million.
- Created the California Alternative Energy Act, allowing $200 million in revenue bonds.

- Increased the California Housing Finance Agency's revenue bonding authority by $750 million.
- Created the California Fair and Exposition bond program with no statutory bonding limit.
- Created the Local Housing Finance Act, allowing mortgage revenue bonds with no statutory limit.
- Removed all statutory limits on pollution control bonds.

These new or increased bonding authorizations are in addition to all of California's prior bond programs. They allow new bond authorizations of at least $4 billion, although several are completely open-ended. Most of these authorizations are largely unused so far. It is expected, however, that their use will be expanded in the next few years.

Consequences of Increasing Bond Issues

Public bond issues have proliferated in California. The consequences of this are uncertain, although there are potentially major problems.

The State's credit rating was lowered early in 1980 by both Standard and Poors and by Moodys, the two major bond rating agencies. Both companies justified the change by citing Proposition 13, the end of the State's budget surplus, and the uncertain effect of other tax cuts. Furthermore, the interest rate that the State had to pay to sell its general obligation bonds increased substantially during 1980. Several bond market experts contend that this interest rate slippage was largely attributable to the rapid increase in State and local bond issues in California, with housing bonds particularly to blame. The increased interest cost can be substantial. For example, if the State's interest rate rose by 0.3 percent in 1979–80, it would cost the State about $120 million more over the next 10 years for the bonds issued in just that one year.

Many State and local bond authorizations set maximum interest rates that can be paid. During the last year, several proposed bond issues could not be sold because the lowest interest rate offered by buyers was higher than the maximum rate allowed. In some cases, the low bid exceeded the allowable rate only slightly—by less than the amount of interest rate slippage noted above. In these cases, bond proliferation prevented the State from selling bonds for traditional public purposes such as sewer and water projects.

Revenue bonds have accounted for most of the increase in bond volume. Technically, revenue bonds are not secured by any public guarantee. For example, housing bonds are ordinarily secured only by the mortgages financed with the bonds. However, should any revenue bonds go into default, it is likely that the State would come under considerable pressure to redeem the issues. For example, Proposition 13 caused some revenue bonds sold by a Southern California redevelopment agency to go into default. There has been persistent demand that the State loan the agency funds to pay those bonds off.

Tax exempt bonds compete against private lending institutions because such bonds offer access to capital at lower-than-market cost. Although many tax exempt bond programs specify that funds are to be used only for buyers who cannot obtain private financing, that dictum has little practical meaning. At least a few major tax exempt bond programs probably displace private lending. Such displacement could weaken the private lending industry in the longer run.

The excessive use of tax exempt bonds may have inflationary effects. For example, when housing bonds are used to provide lower cost loans to people who wish to buy existing houses, the buyers can pay more for the house than they could if they had to qualify for a private loan. The bonds therefore increase housing demand while doing nothing to increase supply. The probable effect is to increase house prices still further.

Tax exempt bonds carry a heavy public cost in that the income earned on them is exempt from State and local income taxes. Were the bonds not available, the money used to buy the bonds would presumably have been invested in taxable bonds or in other investments with taxable income. In effect, tax rates must be higher for all other kinds of income in order to generate a given amount of Federal and State revenue. Tax exempt bonds constitute a subsidy paid for by income taxpayers as a whole. They involve spending public money as if the government had actually levied an equivalent amount of tax and then given it to the bond recipient.

As with all public spending programs, a careful examination should be made of whether the money spent really advances a public purpose and whether it involves an equitable shift of money from one taxpayer to another.

Conclusion

As tax exempt bonds become a major public policy tool in California, with potentially major impacts, they deserve much more careful attention than they have received in the past. The quality of information about the volume of bond issues is poor. Local governments in many cases do not reliably report the amount of bonds they issue, and the major public reports about local bond issues are usually a year out of date before they are ever released. A sensible first step would be to create a reasonable bond reporting system, preferably with the requirement that issues be reported before they are sold, not after.

The dramatic increase in housing bond issues and the passage of the Ullman bill, both invite a careful reexamination of the laws governing housing bonds in California.

IV. ECONOMIC DEVELOPMENT: NEW INITIATIVES

ECONOMIC DEVELOPMENT

California's economic strength today is based largely on strategic private and public investments in innovation and modernization made over the past two decades. California's high labor productivity, based on these investments, makes possible higher income and quality of life. The State fared relatively well in the 1980 recession largely because of its high-technology industries. To maintain our standard of living, and to weather future recessions, California needs to make investments now to ensure the existence of productive sectors in the future.

California is planning for its economic future just as the Nation has planned various programs for economic "recovery", "revitalization", and "reindustrialization". There is a general consensus over the symptoms of national economic difficulty—stagnant labor productivity, reduced real weekly earnings, and surging imports in a few major sectors—but there has been substantial disagreement over the response.

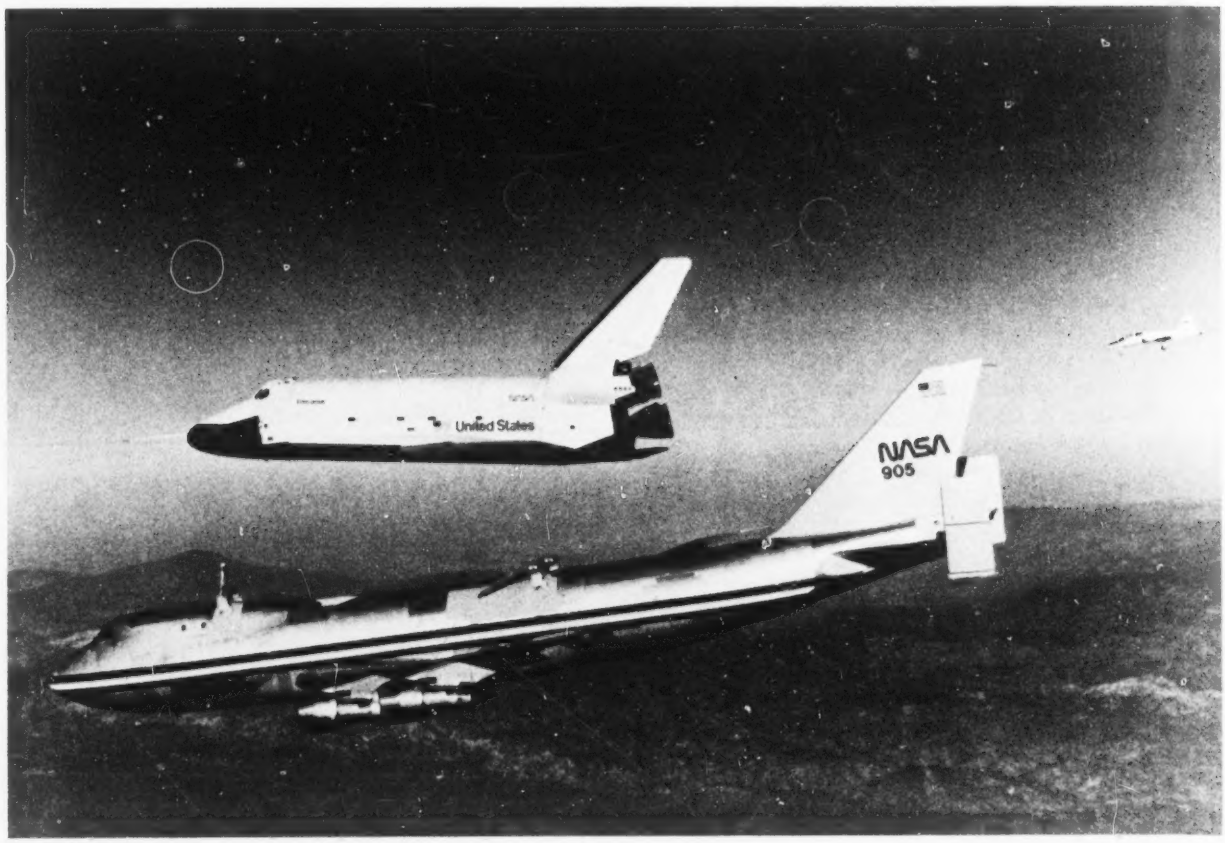
The need exists to examine whether national economic difficulties are relevant to the design of appropriate economic policies for California. There are three reasons for concern: first, high-technology industries themselves have expressed alarm about the future of the economy. To help the Administration select areas in which public policy can influence the future health of the economy, extensive data have been gathered through formal task forces and meetings with individual firms and industry associations. Many of the initiatives proposed in the "Investment in Economic Strength" program are the direct results of discussions held by the Governor's Public Investment Task Force (which focused on pension fund investments), the Research and Development Task Force and the New Business Enterprise Task Force. Industry representatives have expressed particular concern over the reduced level of basic research and capital to start new ventures and to expand and modernize existing capacity.

It is often forgotten that industries which are presently influential in California are successful because of public investment in basic and applied research made over the past two decades. The newly emerging biosciences industry was completely dependent on Federal funding from the National Institute of Health for basic research carried out at the University of California (Berkeley) and Stanford. The Department of Defense provided millions of dollars to basic and applied electronics work, which serves as the basis for much of the new microelectronics technology. The aerospace industry, now converting to more energy-efficient design, has also benefitted from NASA and Department of Defense funding for much of its research and development. In short, much of the present vitality of the California economy can be traced to a past willingness on the part of government to make long-term investments in basic and applied research.

Third, preliminary figures indicate that while labor productivity in the California economy is higher than the U.S. average, it is

growing more slowly. If this slowdown is maintained, the State will eventually lose its ability to sustain a higher standard of living and quality of life than the rest of the Nation. New high productivity industries need to be spawned and existing ones maintained, or a critical advantage will be lost.

There is no single solution to these problems, and there is a limit on what can be done to help at the State level. The State has already undertaken significant initiatives in the past few years in the areas of regulatory reform, tax relief, energy supply, housing, and transportation. National initiatives are needed to address fully the role of California in a world economy. However, in a few strategic areas, it is possible to use State tax policy, regulatory reform, and direct public programs to spur industrial innovation and provide the capital to the private sector for expansion using modern technologies. Accordingly, the Administration has developed initiatives in two primary areas: industrial innovation, and pension fund investment and capital formation.



INDUSTRIAL INNOVATION

The process of industrial innovation involves three steps:

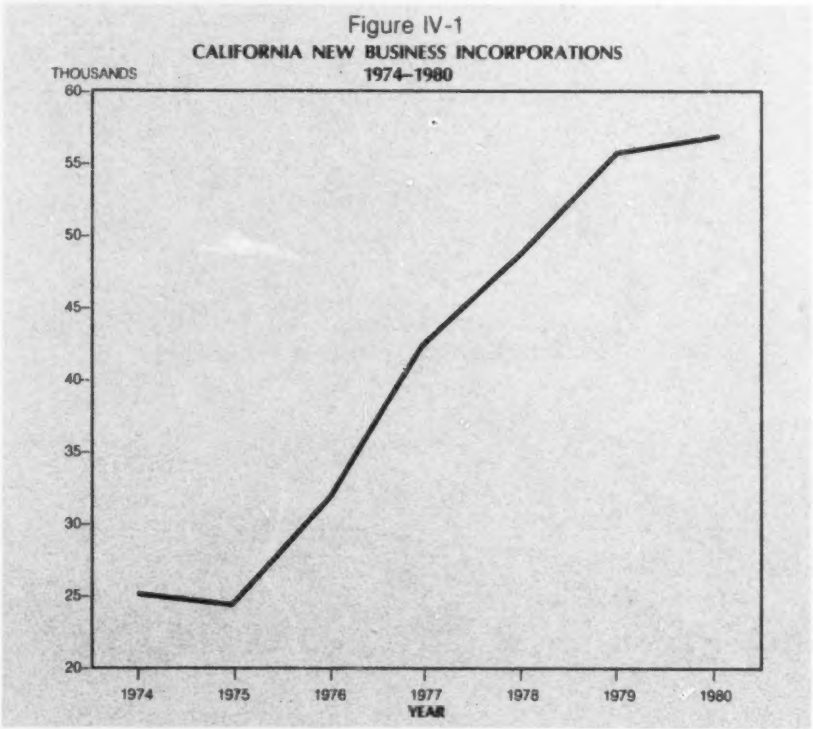
1. Basic science and engineering research;
2. Applied science and engineering research which transforms basic research findings into ideas with potential commercial applications; and
3. Product development to take ideas and transform them into products ready for the commercial market.

The Administration has proposed initiatives which are designed to advance the process at each of these three stages. Because the individuals or institutions involved in the three stages are frequently different, programs have been developed to address each stage separately.

Basic Research: To facilitate a partnership between the University and business in basic research, the Administration is proposing a $2.6 million capital expenditure to expand the physical plant for microelectronics research at the University of California (Berkeley) and a $5 million program of grants, matched dollar for dollar by the electronics industry, for basic research in microelectronics technology.

Applied Research: In order to take advantage of the proven capacity of small technology firms for novel break-throughs, the Administration is proposing a $4 million program of small research grants for applied research feasibility studies in critical areas of industrial innovation.

Figure IV-1



Product Development: Speed the pace of product development from applied research, the State is proposing the formation of a $4 million nonprofit Corporation for Innovation Development to provide technical assistance and capital to investors and entrepreneurs in high-technology fields.

Oversight: Because the program involves direct public investment in areas which are changing quite rapidly, the Administration is proposing the creation of a California Commission on Industrial Innovation to provide policy guidance and coordination.

PENSION FUND INVESTMENT AND CAPITAL FORMATION

California has always been an importer of capital from the rest of the Nation because of its healthy growth in income and population. Yet one of the largest pools of capital in the world—the pension funds of public employees—is largely prohibited from sharing in the growth of the California economy, even where prudent by generally accepted investment standards. In addition to the problem of a general shortage of capital, State and national policies contribute to a problem of the allocation of capital. Too little available capital is devoted to investment in the formation, modernization, and expansion of productive firms, while too much capital flows to nonproductive investments made profitable by inflation. If the innovation spurred by the Administration's other initiatives is to be translated into jobs and income for Californians, there must be capital available for California businesses to accomplish the task.

Again, no single State policy can address these problems. Many of the problems of capital formation and allocation within the country must be solved at the national level. However, in a few key areas, changes in State regulation, tax policy, and expenditures can allow the capital markets to invest more in California's economic strength.

Pension Fund Investment Unit: To continue the work of the Public Investment Task Force, a unit within the Office of Planning and Research is proposed. It will provide a continuing forum for discussion of pension fund investment policy, and explore the creation of new vehicles for the prudent investment of public and private pension fund assets in business expansion and housing.

Industrial Investment Insurance Program: A $5 million insurance fund is proposed to increase the access of small- and medium-sized firms to long-term capital for expansion and modernization of their capital stock. This fund will provide partial insurance for pools of long-term loans assembled by private lenders and sold at market rates to public and private pension funds.

Increasing the Investment Flexibility for Pension Funds: To increase the discretion available to managers of public pension funds, the Administration is proposing a constitutional amendment to increase from 25 percent to 40 percent the share of total assets which can be invested in eligible common stock and to relax restrictions on the size and performance of eligible companies.

To provide access to higher returns for public pension funds, the Administration is proposing specific legislative authority to allow managers to place up to 2 percent of total assets in venture capital, limited partnerships.

In addition, legislation is being proposed to codify the general prudence standards contained in the proposed national Public Employees' Retirement Income Security Act.

Targeted Capital Gains Tax Reform: To increase the risk capital available to new and small businesses, the Administration is proposing to reduce State taxes significantly on capital gains arising from long-term investment in small business, and offset the revenue loss by a slight increase in the tax burden on speculative investment in nonproductive "collectibles."

Securities Law Revision: To reduce costs of public offerings for small businesses, while maintaining protection against fraud, the Administration is proposing legislation to change a portion of California's disclosure methods.

Summary: In a period of budget austerity, the tax and direct programs proposed here will not quickly transform the California economy. They represent small public investments, aimed at areas which are critical to the future of the State's economy. When combined with the proposed regulatory and statutory changes, they represent a comprehensive program designed to enlist public and private investment in future economic strength.

THE CALIFORNIA BUSINESS CLIMATE

As California initiates public policies with a long-term economic payoff in key sectors, it must also be concerned with its current economic situation which influences hiring and investment decisions.

A wide variety of factors influence business decisions, and only some vary among states: the size and diversity of the market, availability and cost of desirable labor, energy costs, housing costs, regulatory approach, and State and local taxes on individuals and businesses. Each business weighs these factors to suit its industry, but, taken together, they represent a State's elusive "business climate".

Since it is impossible to measure precisely a state's "business climate", a reliable indicator should be the actual employment decisions made by private companies. By this measure, California's climate must rank quite high. Over the period 1975–1980, manufacturing employment grew at an annual rate of 4.8 percent, while the rest of the Nation grew only 1.9 percent per year. Indeed, over this time period, California employers contributed over 20 percent of the Nation's growth in manufacturing employment. During the recession year of 1980, manufacturing employment in California increased slightly (by 4,000), while the rest of the Nation lost 703,000 manufacturing jobs.

A Recent Controversy Over Business Climate

In a study performed for a trade association of state manufacturing associations, the accounting firm of Alexander Grant found that California, as a place to do business, ranked 45th out of 48 states—a drop of nine places from a similar study done in 1979.

State and local taxes constitute the most important component of the Alexander Grant business climate index, yet academic studies and surveys with businesses almost unanimously conclude that state and local taxes are at most a peripheral factor in manufacturers decisions on where to locate and invest. Unfortunately, the study relied on 1977–78 tax information—before Proposition 13 and before indexing of the income tax. Using more current information, it is possible to recalculate the index. Using the same methodology, California's position moves from 45th to 30th. The study excluded some of the most important factors as identified by manufacturing businesses themselves: the size of the market or the quality of life. Both are difficult to measure, but both provide California with substantial advantages over other states.

Summary of the Business Climate Debate

While businesses must make difficult decisions each day about the appropriate location for new investment and employment, it is nearly an impossible task to construct a single index that provides an accurate guide they can use. Indeed, by relying on easily quantified figures, such studies may serve to divert attention from real issues deserving public and business attention. For instance, there is no way to measure that California is continuing to address problems in affordable housing, education, and transportation.

REGIONAL DEVELOPMENT NEEDS

Even while economic growth for the State as a whole is strong, and initiatives are being undertaken to maintain that strength, there are substantial regional disparities among California's counties. As seen in Table IV-1, average county unemployment rates for 1977–1980 ranged from 23.3 percent in Imperial County to only 4.5 percent in San Mateo, with the State average over that period at 7.1 percent. In part, these differences in unemployment rates reflect differences in the rate of job growth among counties. Over the longer period of 1972–1979 (excluding 1980 to separate out the effects of the recent recession), State growth was 4.2 percent per year, with counties ranging from 1.7 percent per year in Sierra County to 9.6 percent in Nevada County.

Of most concern are those counties with both high sustained unemployment rates (over 10 percent) and lower than average growth rates (below 4 percent per year)—Del Norte, Humboldt, Imperial, Lassen, San Benito, San Joaquin, Sierra, Siskiyou, Sutter, Tehama and Yuba. Even if there was no immigration of new workers or new local entrants to the labor force, it would take over two years of average growth to absorb those unemployed local workers. Clearly, these areas need to accelerate the pace of their economic development.

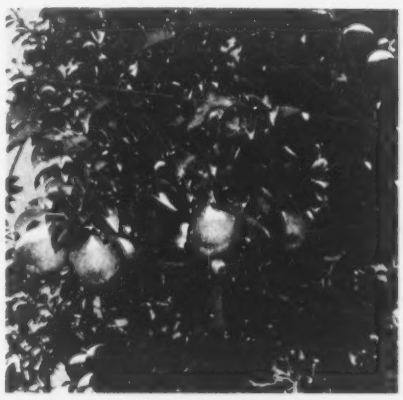
Table IV-1
COUNTY UNEMPLOYMENT AND GROWTH RATES

County	*Average Unemployment Rate 1977–1980*	*Average Annual Employment Growth Rate 1972–1979*
Alameda	7.2%	7.2%
Amador	10.5	6.7
Butte	10.5	5.9
Calaveras	11.5	5.3
Colusa	7.9	2.4
Contra Costa	6.1	4.5
Del Norte	13.2	3.1
El Dorado	10.5	7.8
Fresno	8.6	5.1
Glenn	9.1	5.8
Humboldt	12.8	2.8
Imperial	23.3	4.0
Inyo & Mono	6.6	5.6
Kern	8.6	4.7
Kings	10.8	5.5
Lake	9.8	7.0
Lassen	10.4	3.3
Los Angeles	6.7	3.2
Madera	9.1	6.3
Marin	5.1	4.9
Mariposa	20.3	5.6
Mendocino	9.7	5.4
Merced	11.4	4.7
Modoc	6.4	2.3

Some counties with high sustained unemployment rates are growing rapidly (over 6 percent per year)—Nevada, Shasta, Tuolumne, Amador, and El Dorado. Other counties have taken explicit steps to limit development. Land use controls and limitations on housing development frequently reflect concerns over congestion, environmental quality, and general quality-of-life factors. Such counties are usually characterized by relatively low unemployment rates.

The Department of Economic and Business Development serves to assist economic development in those areas both needing and desiring further growth and diversification. The Department's Office of Local Economic Development works directly with local officials, providing assistance in formulating economic development strategies, identifying growth sectors, and training local staff to work with the private sector. The Department's Office of Business and Industrial Development works directly with private businesses seeking to expand or locate within California. By maintaining an informal inventory of areas within the State suitable for industrial development, the Office can frequently serve to match growing firms with appropriate communities.

Monterey	8.4	3.8
Napa & Solano	7.2	4.4
Nevada	10.8	9.6
Orange	4.7	7.8
Plumas	14.3	6.1
Riverside & San Bernardino	4.5	7.4
Sacramento, Yolo, Placer	7.5	4.5
San Benito	13.2	3.4
San Diego	7.2	5.8
San Francisco	7.1	2.2
San Joaquin	10.6	3.4
San Luis Obispo	5.7	5.8
San Mateo	4.5	3.5
Santa Barbara	6.3	5.0
Santa Clara	5.7	6.4
Santa Cruz	8.9	6.1
Shasta	12.4	6.5
Sierra	14.4	1.7
Siskiyou	12.8	3.5
Sonoma	7.7	6.3
Stanislaus	12.6	5.1
Sutter & Yuba	12.8	3.4
Tehama	11.4	3.9
Trinity	15.8	4.4
Tulare	7.8	3.0
Tuolumne	12.2	7.4
Ventura	7.7	5.2
CALIFORNIA	7.1	4.2



STATE INITIATIVES TO DEVELOP SKILLED WORKERS

For many years, a shortage of skilled workers for specific jobs has existed side-by-side with high unemployment in many California industries. At the same time, some two billion dollars is spent on vocational training in California, but not enough of this training is focused on specific job skills. A link between the private sector and public educational programs is needed to provide the skilled workers necessary in our complex, technological society.

Apprenticeship training, in which trainees work full time on a job and take supplementary education on their own time, has been in existence for many years. This method of developing new skilled workers has been particularly important to the construction and machine trades. However, this employment-based form of training needed to be expanded into additional areas to help those industries with serious skill shortages.

Thus, Governor Brown proposed a work-site education training system in his State-of-the-State address in January 1979. Later that year, the Legislature passed the California Worksite Training and Education Act (CWETA). The Act provided a mechanism to coordinate and more closely link the statewide vocational education system with worksite training. The CWETA program is based on the twin concepts that employers best know their own training needs, and employees learn best on the job.

Employers participate in designing and operating a training program. The program borrows heavily from the experience of previous apprenticeship programs, while some projects include formal apprenticeship plans. All projects, however, typically include both classroom training—often after working hours—and employer-sponsored on-the-job training.

The Act provided a $25 million fund to pay the extra costs incurred by employers and schools in providing training. The fund is administered by the Employment Development Department in cooperation with the Department of Industrial Relations, the State Department of Education, the Chancellor's Office of the Community Colleges, and the Department of Rehabilitation.

At the end of 1980, more than 100 employers were participating in 42 projects under CWETA. Training had been authorized to train nurses and workers for the electronics and aerospace industries where skilled labor shortages have been acute. Other programs have been launched to train automotive mechanics, restaurant chefs, draftspeople, tool designers, tool and operations planners, and opticians.

CWETA programs are targeted to the economically disadvantaged, youths, displaced workers, disabled people and those with obsolete or inadequate job skills. Employers benefit from the increase in the skilled labor pool. Society as a whole gains because those workers who go into the programs are kept out of the ranks of the structurally unemployed.

The first full year of operation of the CWETA program suggests that this method of training can make inroads toward reducing structural unemployment by linking a job with classroom training in a community college or an adult school. It can enhance the quality of the labor force. It can help solve the paradox of jobs going begging in the same areas where workers are seeking employment.

This program should gain momentum as research on possible apprenticeable occupations is undertaken in the Division of Apprenticeship Standards, Department of Industrial Relations. Occupations where the demand cannot be met by the present supply of workers are targeted for study. Job and school standards are then developed so they can be implemented at the worksite.

REVITALIZATION AND ECONOMIC TRANSITION

Over the longer term, the State's economy will experience transitions from maturing sectors to newer industries. A coordinated program is therefore being undertaken by the Administration to deal with such structural changes and to create the conditions for continued industrial growth in the 1980's. This revitalization strategy involves a forward-looking partnership among government, labor, industry, and communities to meet the challenges of plant closings associated with economic adaptations.

Recognizing that a dynamic economy such as California's will experience some closings of manufacturing plants and adjustments in related sectors over time, the Administration established a Task Force on Plant Closures.

A key objective of the task force has been to assure that transitions take place with minimum disruption to workers and communities. This has led to research and advance planning on plant closings and the promotion of alternative economic bases for affected communities.

State Government can be uniquely effective in helping to marshal existing resources and in providing technical assistance. Workers are assisted in obtaining new jobs in high demand occupations. New investment—both public and private—is being encouraged in high technology areas to lay the foundation for continued economic growth.

Many plant closings and relocations are linked to changing economic conditions. There are other closings and relocations which are not absolutely necessary or inevitable. In these cases, it is the responsibility of government to explore the potential for averting closures. Government can also be effective in five key areas:

- Facilitating conversion to more viable production methods;
- Identifying industrial diversification opportunities;
- Providing information to affected employees about alternative job possibilities;
- Promoting retraining in needed occupations; and
- Supporting investment to encourage additional employment opportunities in the community.

The task force has undertaken these steps, and has also been examining a wide range of State and Federal Programs to identify modifications necessary to promote a positive approach to economic transitions.

Techniques used to ameliorate the impacts of plant closings on workers and communities have included the following:

- Immediate services have been provided to workers to identify skills which are readily transferable to other jobs which are available.
- The employment-based training emphasized by the Governor and available under the California Worksite Education and Training Act (CWETA) has been used to retrain displaced workers.
- The innovative shared-work unemployment compensation program introduced by the Administration has enabled employees to share available hours of work during periods of decreased production and receive partial unemployment insurance benefits for hours not worked.

These programs have been accompanied by intensive efforts to assist communities in locating new users for manufacturing facilities. Information is being developed on potential plant closings and the characteristics of the affected workforce for use in planning assistance and training.

The State has led nationally in providing assistance to mitigate the effects of automobile, rubber, tire, steel, defense facility, and lumber mill closings, and in undertaking negotiations to avert plant closures when it appears operations are still economically viable.

In summary, plant closings must be recognized as one component of a dynamic economy. The assistance program which has been initiated in California is intended to ease worker dislocations and to redeploy the State's valuable human and industrial resources as quickly as possible. It remains to be seen if the collaborative approach will promote early notification by businesses of potential closings. Such voluntary early warning is hoped to be one of the many benefits of the cooperative approach to dealing with plant closings and economic transition which the Administration has put in place.

HOUSING

The Current Situation

Problems in the statewide housing market are arising from both the supply and demand sides. Financial institutions did not have strong incentives to underwrite mortgage loans during the past year. Only a small amount of new savings was available for lending, and uncertainty over interest rates made lenders reluctant to commit funds to housing, particularly at fixed rates over a 30 year period. As a result of these trends, loan activity has been exceptionally low by historical standards.

The quantity of funds available for lending is crucial to the financial institutions. During 1980, there was a small net inflow

of savings to savings and loan associations (S&Ls), achieved only by the offering of money market certificates at five percent above the rate for three-month Treasury Bills. New funds available for lending, therefore, came at a relatively high cost. Some S&Ls even put such deposits into issues with the same maturity date as the certificates but at a higher yield, rather than into the housing market.

Another source of pressure on housing finance is commercial and industrial loan demand. Banks and other lending institutions have experienced relatively strong business loan demand, given their lendable resources. Most of this demand has been to cover short-term operating expenses, including the costs of holding inventories, although some demand is for new construction. To satisfy business borrowing needs—in part because many borrowers are long-term steady customers—banks have moved away from supporting the mortgage market.

The financing problems facing California housing now, and into the future, have primarily resulted from national developments. Both the shortage of mortgage money and the high level of mortgage interest rates affect the entire United States. The solution to these problems must result, in large part, from actions taken by the National Administration, Congress and the Federal Reserve.

Supply constraints in the California housing market have also resulted from local government's reluctance to allow new development. Under the twin pressures of slow-growth advocates who want to preserve local environmental amenities and the continuing threat of revenue losses resulting from Proposition 13, local governing bodies now tend to limit new development of all kinds and to require features and lower densities that insure higher prices for most new housing.

Demand pressures resulting from economic and population growth have aggrevated the housing shortage problem. Soaring home prices and declining vacancy rates have resulted.

Home Prices and Rental Costs

In 1970, the median value of homes in the statewide housing stock was under $25,000. By the end of 1980, the median value had risen to over $100,000. Five years ago, the median sales price of California homes was near the national average; now this State has some of the highest home prices in the U.S. By the end of 1980, California home prices were about $30,000 higher than the national average.

Home prices within California vary widely. While housing in the major urban areas of San Francisco and Los Angeles generally exceed $100,000, in much of the Central Valley and northern counties houses priced at $60,000 to $70,000 are most common.

Rental costs have also continued to rise throughout California, although at less than half the rate for home prices. Estimates by the California Department of Housing and Community Development (HCD) show median gross rents statewide rising from about $125 in 1970 to $300 in 1980. Despite the slower rate

of increase, rising rents have a significant impact on many Californians. Half of all renters in the State pay more than 25 percent of their income for housing. These individuals do not hold existing equity that inflates along with prices. For a majority of renters, such as those on fixed incomes, there is no feasible housing alternative.

1980 Construction Trends

Total housing units authorized by permits fell from 210,000 in 1979 to 144,000 in 1980. The 31 percent decline becomes particularly significant when compared to the average yearly construction of about 190,000 units authorized between 1966 and 1979. The annual demand from household formation alone is currently estimated at about 225,000 units. Additional housing will also be needed to replace units lost to demolition and other causes and to restore adequate vacancy rates. Depending on the source cited, total new housing units needed each year between 1981 and 1985 range from slightly below 250,000 units to over 300,000 units.

The changing shares of owned and rental housing are becoming increasingly important. While multiple-unit construction has remained at about 40 percent of new residential construction, rental units represent an increasingly smaller share. Much of the new multiple-unit housing is in condominiums, for sale at prices frequently approaching those for single-family homes. Those households unable to buy are finding that rental units are becoming unavailable in many areas, particularly when existing units are converted into condominiums.

Table IV-2
Distribution of Existing Home Sales, January 1981

Price Bracket	*Percent of Total*
$19,999 and under	0.3
$20,000– $29,999	0.3
$30,000– $39,999	1.3
$40,000– $49,999	2.6
$50,000– $59,999	5.0
$60,000– $69,999	7.1
$70,000– $79,999	10.6
$80,000– $89,999	11.8
$90,000– $99,999	10.3
$100,000–$119,999	14.9
$120,000–$139,999	11.0
$140,000–$159,999	6.7
$160,000–$179,999	4.7
$180,000–$199,999	3.1
$200,000–$249,999	4.7
$250,000 and over	5.6
Total	100.0

Source: California Association of Realtors.

There are many reasons for the slowdown in rental housing. Foremost is the profitability of constructing condominiums and the relative unprofitability of constructing apartments. Also, many builders fear that rent controls will be imposed.

With the current sharp decline in rental production, it is inevitable that the cost of existing units will rise. Efforts must be made by both government and industry to increase the production of this important component of the housing stock.

Table IV-3
Regional Price Trends, January 1981

Region	*Median Existing Home Sales Price*
Statewide	$100,486
Los Angeles Area	104,173
San Francisco Bay Area	105,855
Santa Clara Sub-Region	105,640
San Diego	92,499
Orange County	123,223
Central Valley	64,003
Palm Springs/Lower Desert	123,104
Monterey	106,249
Northern Wine Country	88,029
Northern California	66,362
Riverside/San Bernardino	75,908
Ventura Area [1]	124,258

Source: California Association of Realtors.
[1] December 1980

Vacancies

Based upon census updates prepared by the Population Research Unit of the Department of Finance, the number of vacant units amounted to 553,000 in 1980, or 6.1 percent of California's total housing stock.

Vacancy rates differ widely among counties. Rural areas generally maintain rates over 10 percent, suggesting that a number of second homes used only part of the year are included. For the major urban areas, the rate is generally within three to five percent. The lowest vacancy rates, indicating the tightest housing markets, were in the following counties:

County	*Percent of Total Units Vacant*
San Mateo	2.90
San Francisco	3.19
Marin	3.40
Orange	3.38
Santa Clara	4.20
Santa Barbara	4.27

The Outlook

The short-term outlook for housing will depend upon the level of interest rates and the quantity of lendable funds. Interest rates are expected to come down incrementally during 1981, while the quantity of savings capital available for housing loans is expected to rise slowly. If the national economy also improves gradually during the current year, California homebuilding activity should improve slightly. More rapid improvement in national economic and financial conditions during 1982 should result in a rise in new housing authorizations to levels near long-term demand. In 1981, it is expected that 155,000 housing units will be authorized by permits. In the following year, an additional 190,000 units are forecast.

Manufactured housing, including mobilehomes, could play an increasingly important role in providing a moderate-cost alternative to conventional housing. In the past, this was not the case. Mobilehome production has declined in recent years to under 20,000 annually (production of complete factory-built units has never topped 1,000 annually). The most important cause of the decline is a growing statewide shortage of spaces in which to install mobilehomes, whether inside or outside mobilehome parks. Another cause of the shortage is the conversion of existing mobilehome parks to other uses. Local government has generally been reluctant to zone for mobilehome parks or for mobilehomes on private lots. Where new mobilehome parks are allowed, increasing land prices and locally required amenities, such as open space, lower densities and recreational buildings, tend to insure that the new spaces will not be accessible to low- or moderate-income mobilehome owners.

Recently passed State laws allowing local governments to collect property taxes on new mobilehomes occupied as residences, to partially exempt State sales tax on new mobilehome purchases, and to allow mobilehomes to be placed on single-family lots, should provide a stimulus to manufactured housing.

Also a factor in the improvement of the California housing market will be the introduction of new mortgage instruments. The fixed rate 30 year home loan is already being replaced by alternative mortgage payment plans, including the following:

Variable rate mortgages. Loans in which the borrower does not receive a fixed interest rate over the life of the agreement have become increasingly common. Under the variable rate arrangement, mortgage rates are raised or lowered at predetermined time intervals based upon the movement of some key interest rate.

Graduated payment mortgages. By allowing homebuyers to make lower payments at the start of their mortgage loans, more individuals have been able to enter the market than would otherwise be the case. As the homeowner's income rises over time, home payments also increase.

Shared appreciation mortgages. The concept of the homebuyer sharing part of his future equity in exchange for a lower lending rate is relatively new. Yet, many lenders and borrowers believe this approach can help solve the problems of high monthly payments and lender uncertainty.

As a final note on the outlook, housing price inflation will likely continue at rates in excess of the overall cost-of-living rise, and rising land costs are expected to represent an increased share of the total housing investment.

Impending energy conservation regulations proposed for new construction, reconstruction and mandatory retrofit will add an estimated 2 percent to 5 percent to the price of housing annually. However, such regulations will also result in lower home energy costs.

State Housing Programs and Policies

Efforts to improve the California housing market are currently being made by the State Administration and the Legislature. These efforts generally fall into three basic categories; finance programs, technical assistance, and housing regulation (and deregulation). While much progress has been made, additional work will still be needed to avert future problems.

1. Finance Programs

   The California Housing Finance Agency (CHFA) sells tax-exempt revenue bonds to make loans for lower-income rental housing, and for low- and moderate-income family homeownership and rehabilitation. In its first four years, CHFA sold over $750 million worth of bonds and notes and financed 15,722 housing units.

   Local agencies may sell tax-exempt revenue bonds for residential rehabilitation, refinancing, acquisition and in-fill construction in designated rehabilitation areas. Since the first such bonds were issued in 1976, $45.9 million worth have been sold. Six cities presently have active programs. In the calendar year 1979, a total of 195 loans were made for $5.4 million.

   Under legislation passed in 1979, cities and counties may issue revenue bonds to finance single-family housing purchases. Fifteen localities received approval in 1980 from the State Housing Bond Credit Committee to issue bonds totalling $661.8 million. Of this amount, $281 million were sold before the end of 1980.

   Legislation passed in 1980 authorizes CHFA and HCD to use certain existing housing grant and loan programs to finance mobilehome purchases and mobilehome park and subdivision developments.

   The Department of Veterans Affairs' Cal-Vet program sells revenue and State General Obligation bonds to finance home and farm purchases by California veterans. In 1980, Cal Vet sold $350 million in General Obligation bonds and $500 million

in revenue bonds. The bonds made possible 10,011 new purchase loans totalling $507 million and 1,284 home improvement loans for $8.5 million.

Finance programs and funds unique to the Department of Housing and Community Development include:

- $100 million appropriated under 1979 legislation. Included is $82 million for rental housing construction, $7.5 million for homeownership assistance, and a $10 million addition to the Housing Rehabilitation Loan Fund. These funds are expected to be committed before the end of Fiscal Year 1980–81, and will affect approximately 2,750 housing units.
- The Farmworker Housing Grant presently receives $2.5 million per year through the budget process. This allows for grants of up to 50 percent of the cost of housing construction and rehabilitation for farmworkers. In Fiscal Year 1980–81, the Program is expected to assist in providing about 1,200 units of housing.
- Two Predevelopment Loan Funds provide loans for the preconstruction phases of urban and rural housing projects, and for land purchases in rural areas. About $4.8 billion is expected to be loaned in Fiscal Year 1980–81, affecting about 1,300 units.
- The Rehabilitation and Housing Assistance Program makes deferred payment rehabilitation loans through local public agencies, and administers Federal Section 8 rent assistance funds in localities without housing authorities. The program also administers grants to local agencies to advise citizens on low-income home management and self-help housing improvements. The over $18 million in loans and grants in fiscal 1980–81 will affect nearly 5,000 housing units.

2. HCD Technical Assistance

The Low Income Home Management Training Program and the California Housing Advisory Service are operated by HCD's Rehabilitation and Housing Assistance Section.

The Rural Development Demonstration Program has operated with Federal support for three years in Plumas, Lassen, Siskiyou and Modoc counties. The Program has helped to coordinate Federal and State housing and development resources in these sparsely populated rural areas. As a result of this success, the program has been extended into Alpine, Amador, Calaveras, Tuolumne, Inyo and Mono Counties.

The Indian Assistance Program provides technical assistance in grantsmanship and housing improvement to California Native Americans. Some 400 households are expected to be assisted in Fiscal Year 1980–81.

HCD operates a Federal Assistance Programs Retrieval System computer service to provide information on the

availability of and eligibility requirements for the entire range of Federal domestic assistance programs.

3. Housing Regulation

   Legislation of last year established extensive requirements for the housing elements of local general plans. As before, HCD will continue to review and report on the adequacy of local housing elements. Such elements will include the identification and analysis of current and future housing needs and a statement of goals, policies and programs for the improvement and development of housing.

   Recent legislation has offered local governments a number of planning options to facilitate housing development, including:

   - inclusionary zoning
   - density bonuses to developers bulding a certain proportion of lower-income units
   - authority to develop some plans with environmental clearances
   - expeditious permit review procedures
   - development agreements between developers and localities.

   Few localities have made use of these options, but they offer a basis for further policy development.

   The status of mobilehomes and manufactured housing in State law has been transformed, as noted previously. Legislation of 1979 provided for property taxation of new mobilehomes and for the permanent installation of mobilehomes on foundation systems. A 1980 law limited local ability to prohibit the installation of mobilehomes on foundations in single-family zoned areas.

   To help reduce housing costs, HCD has developed a model housing rehabilitation code that provides for the use of original materials and methods in rehabilitation and a rural housing code providing for relaxed construction standards in appropriate areas. These are optional and local governments may use them if they wish.

Future Housing Programs and Trends

There is uncertainty regarding the future of Federal housing programs. The HUD Section 8 Rental Assistance Program is a mainstay of many State and local housing assistance programs in California. The Section 8 Program is part of the operations of local housing authorities, the California Housing Finance Agency's (CHFA) direct-lending rental construction program, and HCD's $100 million in predevelopment loan programs. If the Reagan Administration reduces or restructures the Section 8 Program, these and other State and local programs will be affected.

State housing assistance efforts may decline. HCD'S $100 million in program funds is expected to be entirely committed by mid-1981. State Government is entering a period of austerity in which additional General Fund expenditures for housing will be difficult to obtain.

CHFA, the State's principal subsidized housing financer, already depends on the sale of tax-exempt revenue bonds for its funds, as do many California municipalities. The bond market in which these agencies must operate has been affected by roller-coaster interest rates and Federal concern over the tax revenue impacts of mushrooming tax-exempt bond issues. The Ullman bill, recently signed into law, sets ceilings on State and local issuance of such bonds, and imposes other complex conditions (on arbitrage limits, for example) that may block or delay bond issues even within the ceiling limits. In addition, the proliferation of bond issues in California could create major problems. New issues should, therefore, be examined very carefully.

State housing policy will be increasingly concerned with housing development choices and constraints now decided at the local level. Systems for financing water, roads and electricity for new housing may be necessary to respond to the widespread local perception that new housing does not pay its way. Additional specific zoning relief for manufactured, lower-income, and higher-density housing, among other concerns, may have to be pursued in the Legislature. The problem of maintaining a balance between housing and jobs in areas of rapid economic development (the prospective electronics industry expansion in Roseville is an example) will draw increasing State concern, due partly to the evidence of the consequences of the imbalance in Santa Clara County.

Another long-simmering concern relates to the State Housing Law, administered by HCD and enforced by local building officials, which supposedly governs virtually all conventional residential construction in California. In practice, local governments customarily add to and interpret the law according to historic practice in their own jurisdictions. As the problem of housing construction costs becomes more acute, the law may increasingly be looked to as a vehicle for lowering costs through relaxation of code provisions in ways which do not threaten health and safety. As an example of the difficulties which may face such relaxations, HCD has attempted without success over the last four years to expand the use of cost-saving plastic water piping in dwellings.

Although the Reagan Administration's preference for local control may work against it, there will be increasing pressure at the Federal level for intervention in the State and local housing development process.

The Federal Building Energy Performance Standards (BEPS) program remains in abeyance. The prestigious National Council on Development Choices for the 80s has recommended performance rather than prescriptive building standards. Changes were also recommended in standards that had

previously been local or State issues. These recommendations included streamlined permit processing, low-cost rehabilitation standards, removal of zoning restrictions against manufactured housing, land write-downs for lower-income housing, mixed-use development and higher densities. The National Council of State Building Codes and Standards Agencies adopted a resolution requesting the National Governors Association and a number of national model code organizations to support these concepts.

RESIDENTIAL AND NONRESIDENTIAL VALUATION

Since 1977 the growth in new nonresidential valuation authorized by building permits has outpaced new residential valuation gains. In the past year, residential valuation declined by 15.8 percent from $10.8 billion to $9.1 billion. In contrast, nonresidential construction climbed by 2.3 percent, from $7.3 billion to $7.5 billion. All of the nonresidential growth occurred in the alterations and additions category. Commercial, industrial, and all other new building declined.

Nonresidential Valuation Authorized by Permits, 1980

	$ Millions	*Percent Change Over 1979*
Total	$7,458	+2.3
Commercial	3,272	−3.1
Industrial	1,274	−29.7
Other New	1,197	−13.4
Additions and Alterations	1,715	137.9

Relatively few new industrial or commercial buildings were started in 1980. The recession and the high level of interest rates made construction prohibitive for many firms. Additions and

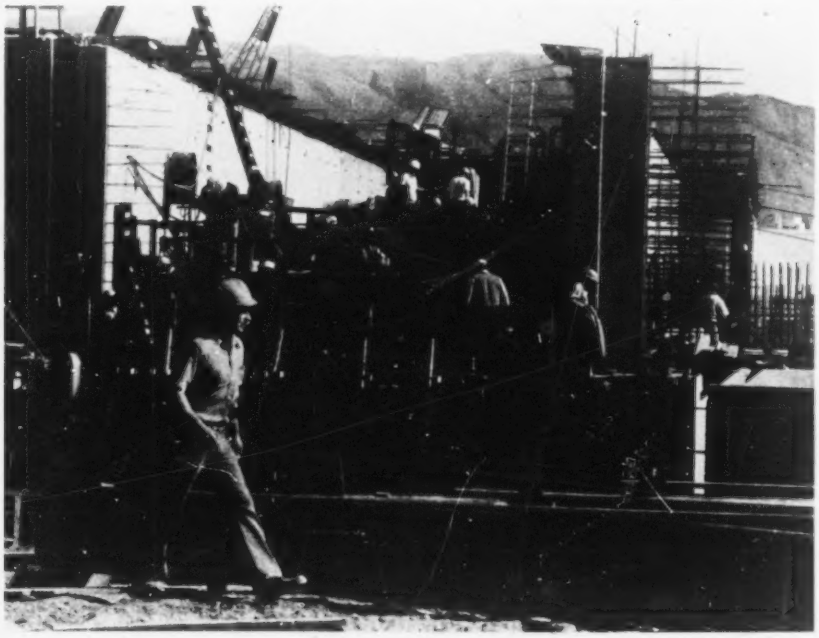
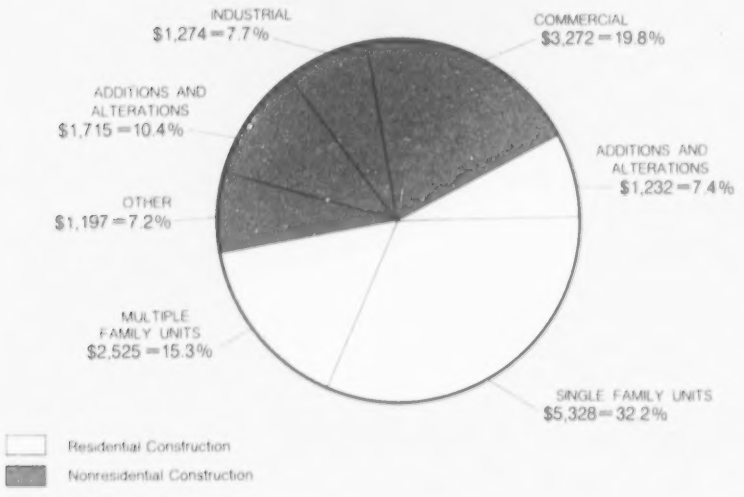


Figure IV-2
CALIFORNIA BUILDING VALUATIONS AUTHORIZED BY PERMITS, 1980
(millions of dollars, percent of total construction)



alterations, therefore, were frequently the only choices available to those businesses which needed to improve and add to existing facilities. Given the strong underlying demand in California for additional nonresidential space, it is expected that there will be a boom in commercial and industrial building once economic conditions improve.

Nonresidential construction varied widely among California counties during 1980. As shown in Table IV-4, 14 counties had increases of 10 percent or more. (The smaller counties can, of course, be greatly affected by one or more major projects.)

Table IV-4
Counties Registering the Largest Percentage Increases in Nonresidential Valuation in 1980
(In millions)

County	*1980 Total Nonresidential Valuation*	*Percent Change Over 1976*
Calaveras	$12,771	+406
Lake	14,734	+132
Yuba	16,685	+82
Siskiyou	16,414	+69
Sonoma	152,139	+49
El Dorado	23,550	+40
Santa Cruz	49,605	+33
Contra Costa	158,804	+25
Los Angeles	2,656,413	+21
Nevada	11,503	+21
Mono	3,714	+18
San Mateo	171,889	+17
Sacramento	234,677	+17
San Diego	527,538	+10

Source: Security Pacific Bank

V. ENERGY

Since 1975, California has become a leader in developing and encouraging programs to meet the challenges posed by declining energy supplies and rising prices. The Administration, Legislature, State agencies, utilities and businesses have cooperated in efforts to conserve existing fossil fuel supplies, restrain the rising cost of energy, stimulate the development of renewable and efficient energy technologies, and increase production of the State's heavy oil reserves.

These actions have already had a major impact on California's energy supply and demand. In all, Californians now consume less energy and rely far less on foreign imports than they did several years ago. Even so, there are still many ways in which further progress can be made to guarantee that energy needs of the future will be met.

ENERGY TRENDS

California produces more oil than it did five years ago. Since 1975, production has risen by 10 percent—or by 33 million barrels per year. In 1979 and 1980, drilling activity in the State set new records. Development now underway in California's heavy-oil producing region should increase production by 60 million barrels a year by 1985 and 180 million barrels a year by 1990. This increase, if coupled with conservation in transportation, can enable the State to eliminate foreign oil imports entirely by 1990. Efforts are being made to assist refinery modifications that will enable refiners to process a greater proportion of heavy oil.

California's recent experience has disproved the conventional theory that economic growth cannot be achieved without a proportional growth in energy demand. Significantly, this slowing in energy growth has coincided with a period of economic gains for California.

Demand for natural gas has been reduced over the last five years. The number of customers has increased, but the overall use of natural gas has remained constant, and per capita residential use has fallen by more than 10 percent. This decrease has been achieved by such simple efficiency measures as installing ceiling insulation.

The economic benefits of these trends nationally have been documented by several major studies of energy policy choices, including those by the Harvard Business School and the Carnegie-Mellon Institute. Continuation of high growth rates for energy demand would have required that at least $60 billion be invested in new power plants over the next fifteen years—a large and inflationary burden on California's economy.

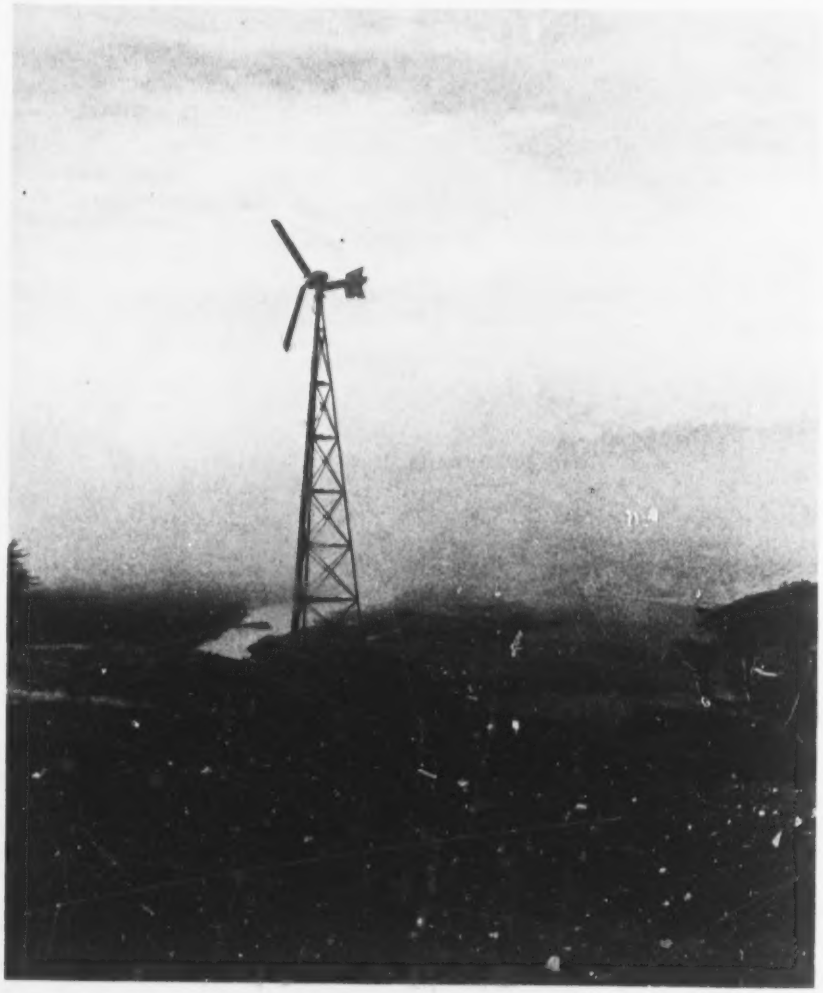
As energy is used more efficiently, fewer dollars are exported to foreign countries and other states. Capital resources are freed for other investments, providing more jobs for Californians, and holding down the cost of energy.

ENERGY PLANNING FOR THE FUTURE

A basic goal of the Administration has been to divert dollars that now flow to OPEC into energy resources found in California. Investments in energy efficiency are considered most important, followed by cogeneration and renewable energy supplies, where cost-effective. Conventional power sources come last in the list of priorities because of their high cost, environmental risk and long lead time required to bring them into production status.

This ranking of priorities provides a guide for investment rate setting and licensing decisions by utilities, State and local governments and business.

The realization of the State's basic goal will mean more jobs for Californians and help restrain rising energy costs. The policy reduces reliance on foreign oil more quickly and at a lower dollar and environmental cost than the emerging Federal policy which stresses nuclear power, unrestrained oil leasing, and rapidly deregulated energy prices.



Cogeneration

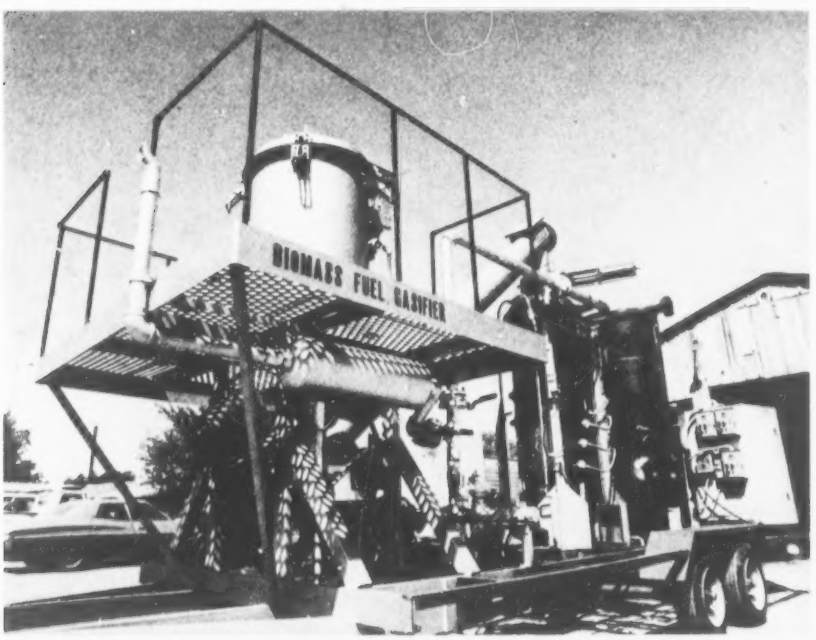
Approximately 25 percent of the energy used by industry ends up as waste heat. The technology exists to capture this heat and convert it to electricity—the process of cogeneration.

California is at the beginning of a cogeneration boom that will benefit utilities, industries and individuals. Increasing numbers of industrial, agricultural and commercial firms are turning to this system of generating electricity for economic reasons. Cogeneration also presents fewer environmental problems than new power plants and avoids the conflict between agricultural and energy uses of water. A further advantage of cogeneration is the fact that a plant can be built in two or three years, compared to the 10 years required for conventional power plants.

A demonstration project in the Stockton area was opened late last year by Sun Diamond, an agricultural cooperative. Fueled by walnut shells, the plant produces 4.5 megawatts (MW) of electricity which is more than enough to take care of all the requirements of the facility. The 2.7 mw not needed by Sun Diamond are being sold to the Pacific Gas and Electric Company.

Technological advances, such as congeneration, will play a critical role in bringing down inflation in the long run, and in conserving scarce energy resources in the short run.

The Administration is encouraging cogeneration in various ways. Legislation signed in 1980 permitted accelerated depreciation of cogeneration equipment over as little as 12 months. The California Alternative Energy Source Financing Authority was created to sell tax-exempt bonds to be repaid from the revenues of cogeneration and other alternative energy projects.



The State Cogeneration Task Force has helped remove barriers to cogeneration development. The Cogeneration Desk in the Office of Planning and Research helps private applicants secure State and local permits. The Department of General Services, the Office of Appropriate Technology, and the Department of Water Resources have prepared and are implementing a plan for generating 400mw of electricity through cogeneration at State facilities. This program will make State facilities (excluding the State Water Project) self-sufficient in energy by 1990 and save taxpayers $735 million.

Biomass

California has a major State program to assist the development of biomass energy projects, and leads the Nation in the use of agricultural wastes for energy.

In 1979, the Legislature created a program within the Energy Commission to provide technical and financial support to demonstration projects for biomass and alcohol fuels. Under this program, California business is rapidly expanding its production of fuel alcohol and electricity from organic wastes. The next step will be the expansion of the market for fuel alcohol through conversions of car and truck fleets from gasoline to alcohol.

Solar

Other energy sources such as wind, solar, and small hydro-electric plants have moved from an experimental status to commercial reality in the last five years. There is now a strong and growing industry devoted to developing and marketing renewable energy technologies. Chief among these is the solar industry.

Builders, developers, locally elected officials, and the financial community now recognize that solar energy is commercially feasible. California's 76,000 solar installations already in place constitute one-fourth of all the solar units in the Nation. The Public Utilities Commission's demonstration financing program will result in the installation of solar water heaters on 375,000 California residences. The Energy Commission's proposed new Residential Building Standards would incorporate passive solar design features and solar water heating.

Direct production of electricity from solar photovoltaic cells is feasible now and should become cost-competitive with traditional fuels by the mid-1980's. This technology offers significant potential as a growth industry for California, as did the development of semiconductors.

The Administration is developing initiatives to help solar industry firms grow in a way that will protect qualified employers by enforcing installation standards. Enforceable standards for components, materials, and installation will accomplish two purposes:

- They will protect consumers, and
- They will provide the basis for developing solar installer programs within organized labor and among community-based organizations.

Enforceable standards will also provide further justification for developing training programs to provide a skilled work force in this burgeoning industry.

Developing enforceable standards for the solar industry is, however, a matter which involves numerous State agencies including the Energy Commission, the Public Utilities Commission, and the Contractors State License Board, as well as local government agencies. Standards must be integrated with local building codes; their enforcement must take place through the building permit process; and warranties must be provided to consumers.

Recognizing the numerous relationships that are involved in assisting solar industry development, the Administration has formed a task force to foster cooperation with local agencies. The main purposes of the task force are to:

- Determine those standards and warranties that can be enforced at present,
- Develop enforcement models or demonstration projects with those cities and counties ready to assume such responsibility, and
- Start an education program with county building inspectors to assure consistency in enforcement policies.

The initial task force includes representatives from the Energy Commission, the Public Utilities Commission, the State and Consumer Services Agency, the Department of Consumer Affairs (Contractors State License Board), the Building Standards Commission, the Office of Appropriate Technology, the Department of Industrial Relations, the Business, Transportation and Housing Agency, and the Employment Development Department.

Wind Energy

The potential of wind-generated energy was not recognized until recently. As early as 1978, utility resource plans included no wind energy development. Utilities now expect to develop over 400 MW of wind energy by 1980. Small businesses, farms, and investors are also showing an increasing interest in wind development. This change reflects the technical maturity and future economic advantage of both large and small wind turbines. Using demonstration wind turbines, the Office of Appropriate Technology and the Department of Water Resources have been able to identify and resolve a variety of technical problems.

Geothermal

California leads the Nation in geothermal development and pioneering work on direct heat applications. In 1975, California's geothermal plants produced 405mw. Today that figure is 909 MW, with capacity expected to more than double by 1985. Through continued cooperative efforts by State and local agencies and utilities, geothermal electricity output will continue

to grow. Direct uses of geothermal heat have a great potential for reducing the use of fossil fuels. In cooperation with the City of Susanville, the Administration has initiated the largest direct heat application in the State at the Susanville Correctional Center.

POLICIES AND PROGRAMS

The following are specific programs and policies to which the Administration is committed. They will reduce California's dependence on foreign oil, increase the diversity and resilience of our energy supply, and ease the impact of rising energy prices on Californians.

- *Low-cost financing for conservation* should be available to all Californians. In response to the leadership of the Public Utilities Commission, the Pacific Gas and Electric Company developed its innovative Zero Interest Plan (ZIP) for conservation loans. ZIP was recently approved by the PUC on a start-up basis. It is expected to encourage conservation by many customers and help hold rates down.

- *Making existing buildings more efficient* is a large, near-term energy source and the best solution to the problem of rising utility bills. Installing simple and cost-effective conservation measures in residences, for example, can reduce household consumption by more than 30 percent. The Residential Conservation Service audit program, the conservation tax credit, and ZIP will help achieve this goal, but widespread retrofit will require further State or local action. Serious consideration should be given to a program to accomplish widespread retrofit without imposing burdensome costs when homes are sold. This will enable renters as well as home owners to share in the benefits of energy conservation.

- *State government should set an example for the private sector.* The Department of General Services has prepared and begun to implement a plan—the Energy Conservation Investment Plan—to reduce energy consumption in State facilities 20 percent by 1983. Through audits of State buildings, improved maintenance and operation and low-cost capital investments, this program will reduce projected State energy expenses by more than $600 million by 1990.

- *New homes and appliances should be energy efficient and affordable.* High monthly energy costs have created hardships for many families. New energy-efficiency standards, proposed by the Energy Commission, would reduce household energy use by 50 percent and produce annual statewide savings of $1.5 billion (in todays' dollars) by the year 2000.

  New utility conservation credits, proposed by the PUC to replace line extension subsidies, will give builders of new

homes an additional incentive to install conservation measures. The lending community can help new home purchasers overcome the somewhat higher first cost of energy-efficient homes by revising load eligibility formulas to treat monthly utility savings as additional, spendable income.

- *California should strive to reduce its reliance on nuclear power.* Its high cost, questionable safety, poor performance record, and unresolved waste disposal problems make nuclear power a poor risk for California's energy future. The Administration continues to oppose licensing of the Diablo Canyon nuclear plant because of the unresolved risks it would pose to the health and safety of California citizens.
- *Reducing fuel use for transportation* while maintaining mobility is a critical challenge for the 1980s. The State must maintain its commitment to public transit, particularly in light of proposed reductions in Federal assistance. The Energy Commission, working with Caltrans, the PUC, and the private sector, should develop strategies for improving the energy efficiency of moving people and goods throughout the State.
- *Improved public information and outreach* will be essential to public understanding and action in response to our energy situation. The Energy Commission, the Office of Appropriate Technology, the Energy Extension Service, the SolarCal Local Government Commission, and utilities have important opportunities to reach constituencies such as local government, agriculture, realtors and small business.

  These sectors have received too little attention in the past. State government should work to improve and expand public information programs. Focus should be on the need to publicize effectively solar and construction tax credits, the Residential Conservation Service, and utility loan programs.
- *Helping low-income groups cope with rapidly rising energy prices* remains a major challenge for the State. With the passage of lifeline legislation, the Legislature established an important protection for low-income consumers. Rising energy costs, however, have caused even lifeline rates to increase and make it clear that increasing efficiency is the best way to mitigate the impacts of higher energy prices.

  The Energy Commission, working with the PUC and the Office of Economic Opportunity, should develop further strategies, with specific recommendations for legislative and administrative actions, to help low-income families cope with higher energy prices.

While serious challenges remain, actions by the public and private sectors over the last few years have put California on the track toward solving its energy problems. State and local government energy programs in California have become models for the rest of the country. With continued efforts, this State will successfully meet the challenge of rising costs and uncertain supplies of energy.

VI. STATE ECONOMIC POLICY

Chapter 850 of the Statutes of 1977 requires a report from each agency secretary defining the policies of the subordinate departments and offices as they relate to the economic development of the State. To be included in these reports are the actions taken during the past year to implement those policies. Statements have been received from the Secretaries of State and Consumer Services, Health and Welfare, Resources, and Business and Transportation.

STATE AND CONSUMER SERVICES AGENCY

The State and Consumer Services Agency has numerous programs which have a present or potential impact on the State's economy. Several of these programs have a substantial impact in the diverse areas of housing, employment, health services and consumer rights. The following is a brief description of the departmental and Agency programs for 1980.

State Building Standards Commission

The new State Building Standards Law (Chapter 1152, Statutes of 1979) reestablished the State Building Standards Commission as a part of the State and Consumer Services Agency. The new law vests within the Commission the powers necessary to assure that building standard proposals of State adopting agencies are within their statutory authority to adopt. The Commission also has the power to assure that proposals are in the public interest, are not arbitrary, are reasonable (based upon the cost and benefit to the public), are not vague or ambiguous, do not create conflict, adopt model codes where appropriate, and are in the proper format prior to approval and publication in the State Building Standards Code.

The new Commission was set up approximately nine months ago. Since that time, considerable progress has been made in repealing unnecessary and conflicting building standards from the State Building Standards Code.

The Commission has five active advisory panels assisting it at this time in carrying out its mission. Building standard proposals submitted to the Commission are being carefully analyzed. The new regulatory process has resulted in many proposed building standards being rejected or returned for amendments. As one part of its mandate, the Commission is in the process of repealing approximately 700 pages of confusing and outdated building standards and replacing them with approximately 150 pages of building standards intended to be clear and not unreasonably burdensome on users. As a result of this work the cost of building construction will be reduced. The Commission as an ongoing matter is especially concerned about existing and proposed building standards which affect housing costs.

Inner City Food Task Force

This inter-agency group was set up to develop a faster and more efficient distribution network to make surplus food available to public and charitable organizations, and to explore and develop alternate delivery systems to stem or reverse the trend of large supermarkets leaving the inner-city area. As a

result, two pilot food co-ops have been initiated and a third is near opening. Safeway, one of the major food chains, has also begun to set up "food barn" stores in some inner city areas with the goals of lower cost, no frills and better food availability. This Task Force is continuing in 1981.

Alternative Mortgage Instrument (AMI)

This special working group was assembled by Governor Brown in the fall of 1980 to focus on legislation and other changes needed to help those involved in the finance, construction, purchase and ownership of housing. The Task Force is giving special attention to the issues of high inflation and highly volatile interest rates.

State Cogeneration Program

The Department of General Services has initiated this program with a goal of bringing 400 mw of electrical power on-line at State facilities by 1990, providing 2.4 billion kilowatt-hours of electricity annually.

While investments in the early years of the program are significant ($10–$55 million per year), the annual investments would be offset after 1985 by the energy costs that are avoided as a result of the use of cogeneration. The cost of the 10-year program is estimated at $365 million. The approximate value of the energy saved is $140 million annually, starting in 1989. Over the 20-year life of the systems, they would save the State $7 for every $1 that was invested.

State Office Building Construction Program

The Department of General Services is continuing to implement the State office building construction program. Seven projects are currently being built, totaling $110 million in construction value. Four additional projects, totaling approximately $75 million are either out to bid or nearing completion of design. A major portion of this statewide program is the development of the Capitol Area Plan. Four of the buildings under construction are being developed in this area. The Capitol Area Plan is a land use, housing, and construction plan for development in downtown Sacramento. A major component of the plan is the consolidation of State offices in the downtown Sacramento area. This consolidation is consistent with the Department's statewide policy of consolidating State facilities in urban areas whenever possible. The statewide construction program totals approximately $330 million and is scheduled to be completed in 1984. It should, therefore, have an impact on California's urban development in the first half of this decade.

Member Home Loan Program

The Public Employees' Retirement Board and the Agency are continuing in their efforts to improve opportunities for members in the retirement system. One potential activity is:

AB 1342 (Elder), signed by the Governor on July 11, 1980

Employees' Retirement Board to establish a program utilizing the retirement fund to assist active members and annuitants of the Public Employees' Retirement System, through financing, to obtain homes in California.

Under such a program, first-time home buyers would be eligible for a maximum loan of 95 percent of the purchase price, while all other System members could obtain up to 80 percent financing. Loans would be available for the purchase of single-family dwellings, single-family cooperative apartments, and single-family condominiums.

Conventional Single-Family Residential Real Estate Mortgage Program

The State Teachers' Retirement System continues to provide an additional resource to the State's secondary mortgage market and in housing loan monies available from primary lending.

Cal-Vet Farm and Home Purchase Program

Under the Department of Veterans Affairs (DVA), the Cal-Vet Farm and Home Purchases Program sold $500 million in revenue bonds and $375 million in General Obligation Bonds ($875 million in income-tax exempt bonds) in 1980. The Department provided $523 million in low interest loans (6.85 percent) to over 10,000 new house and farm purchasers in 1980. Of the loans made in 1980, 5,160 were for veterans at or below median income ($22,900). Of this total, 1,395 were made to veterans whose family incomes were at or below 80 percent of median income (for a total of $107 million).

Veteran's Home of California

The Veteran's Home of California, within the DVA, provides housing to a number of elderly and disabled veterans including a limited number of residences for couples. The Home provides a continuity of care to veterans at various levels, such as domiciliary, intermediate nursing care, skilled nursing care and acute care. The daily resident population at the home is from 1,300–1,400.

Veteran's Services

Since 1945, the DVA (through the Division of Veterans Services) has provided financial assistance to 53 of the State's 58 counties for veterans and dependents in establishing eligibility for Federal and State benefits. The current allocation is $840,000 for FY 1980–81. In FY 1979–80 these county programs helped establish entitlement to Federal Veterans Administration benefits in the amount of over $14 million. These benefits, for the most part, go into the economy of each county. The county organizations succesfully adjudicated 26,323 claims statewide. This Division also provides educational assistance to widows and dependents of deceased or seriously disabled veterans. For FY 1979–80, 5,931 dependents were the beneficiaries of this program.
and effective January 1981.

Consumer Credit

The Department of Consumer Affairs' Division of Consumer Services has devoted substantial resources to consumer credit issues for several years. The credit program involves all of its units, but centers on three primary functions. The Legal Services Unit acts as a law-development and law-reform group by filing and conducting court actions, filing amicus curiae briefs, and intervening in appropriate suits. Consumer credit legislation is one of the major issue areas the unit follows. Many of these bills have significant economic impact on California consumers, involving hundreds of millions of dollars. The Education Unit provides needed information to consumers through the publication and distribution of such pamphlets as the *Complete California Consumer Catalogue, Credit for Women,* and *Guide to Consumer Credit Laws.*

The Department and Division have been and are involved in the following activities:

1. Revising current credit publications and producing additional material to aid consumers with credit decisions.
2. Conducting research on major credit questions. Among the topics being examined will be interest rates and the effect of current laws governing lending institutions.
3. Participating in legislative proceedings to enhance opportunities for equitable decision making with regard to consumer credit legislation.
4. Establishing and maintaining a communications network through which information will be shared with consumer groups, government agencies and others interested in consumer credit issues.

The use of credit is a widely accepted and routinely used method of purchasing goods and services for immediate use in exchange for a promise to pay over a specified period. Before reaching the age of majority most consumers have been informed of the benefits of establishing and using credit; however, substantially fewer people understand the complexities of the credit system and its many pitfalls. Most recently, pressures created by inflation and escalating interest rates have encouraged the introduction of many complex changes into the credit market which are understood by only a few, yet may greatly alter the current and economic relationship between consumer and lender.

Cooperative Development Program

The Department of Consumer Affairs Cooperative Development Program disseminates information, statistics, and technical assistance materials to the public on the formation of consumer cooperatives. Program staff act as coordinators of the State's Interdepartmental Cooperative Coordinating Committee, as providers of direct assistance to cooperatives and community groups and as a resource to the State's Inner City Co-op Development Team. The Program's economic impact is achieved when its consumer clients form food cooperatives, a way of saving 10–40 percent on their food bill.

HEALTH AND WELFARE AGENCY

The Health and Welfare Agency and its constituent departments will continue a long standing policy to assist all California residents who desire to become gainfully employed to find and hold meaningful, self-sufficient employment.

All departments of the Agency are instructed, in seeking to attain this objective, to structure and plan all programs to aid such disadvantaged citizens in their search for economic security.

To achieve this vital goal, and recognizing the fact that 80% of all employment is to be found in private industry, the Agency and all departments must continue to forge strong links with the private sector.

Additional jobs for California citizens can be created by using existing public resources to encourage further statewide economic development.

The Agency's top priority will be to coordinate the use of public and private community resources to bring about cost effective programs.

Efficient and well coordinated programs will meld community providers of services with their State counterparts to bring the many benefits of paid employment to those members of the work force most in need—that group which has been structurally or significantly either unemployed or underemployed.

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

The Business, Transportation and Housing Agency's primary goal is to maintain and improve California's quality of life through the encouragement of affordable housing, a thoughtful transportation system, and long-term economic development conducive to the orderly growth of business.

For the first time, the State is integrating energy, environmental and land use concerns in a coordinated transportation/housing/economic development effort. This coordination of the various departments in the planning stages has resulted in cost effective and compatible growth strategies. New freeways to move people and materials are coordinated with a supply of affordable housing and the appropriate siting of new plant facilities.

The highest priority for the Agency during the coming year will be securing passage in the Legislature and beginning the implementation of the Governor's Investment in Economic Strength program. This package of initiatives is designed to maintain California's current lead in the high-technology field by encouraging industrial innovation and capital formation. Over the 1975–80 period, California has accounted for over 20 percent of the Nation's growth in manufacturing employment. The electronics and semiconductor industries have been a major source of new jobs in the State, estimated at up to 100,000 a year, given the current rate of expansion. But this growth will not continue unless investments are made now in basic research and development.

The Investment in Economic Strength program consists of nine initiatives designed to promote capital formation and industrial innovation. In the area of capital formation, we are proposing changes in pension fund regulations, tax laws, and securities law to make capital more readily available to small and high growth business and to reduce regulatory burdens. For example, we are proposing a constitutional amendment which will enable public pension funds to earn a higher rate of return on their investments by removing restrictions such as one that requires investments to be made in firms with over $100 million in assets. Further, we are proposing an exemption from the capital gains tax for long-term investments in small businesses. In the area of securities law, we are proposing revisions which will eliminate merit review for certain companies, provided there is adequate disclosure.

To spur research and development in high growth areas, the Governor is proposing a modest investment of $20 million to expand the microelectronic research facilities at Berkeley, and to make funds available for a small grant program targeted at basic and applied research.

The capstone of the Governor's program is the formation of a California Commission on Industrial Innovation consisting of business, labor and academic representatives. The commission will provide a forum for discussion and policy guidance for the Governor and the Legislature on the role of industrial innovation in maintaining California's economic leadership.

Promoting Affordable Housing

This Agency is trying to respond to the State's need for affordable housing in order to attract the necessary labor force for business. We are working to address the problems of growth limits imposed by local communities, financing shortages, high interest rates and government regulation which have impeded housing growth. The Housing and Community Development Department is implementing legislation passed last year to require communities to evaluate the effect of business expansion on their housing supply and to account for their fair share, as well as to prove to the State that limited growth zoning ordinances benefit the health and welfare of the general community.

California has been a leader in combating the practice of redlining in mortgage lending. The Administration's commitment to eliminating redlining was embodied in the passage of the Housing Financial Discrimination Act (HFDA) in 1977 which was the first comprehensive anti-redlining law in the nation. Tremendous progress has been made since this law was enacted.

A part of the strategy for producing affordable housing has included promoting alternative construction modes such as manufactured housing and funds for rehabilitation of existing

housing stock. The Century Freeway project will require the construction, rehabilitation, and relocation of 4,200 housing units—the largest housing program ever undertaken by the State.

These steps combined with the simplification of the State's housing subdivision permit process and a new look at alternative mortgage instruments, should help make the construction of affordable housing a reality in the future.

Promoting a Balanced Transportation System

With diminishing revenue sources and rapid inflation, the State can no longer afford to build roads which focus on transportation needs alone. New transportation projects are economical only when accompanied by affordable housing and siting for commercial developments. The Route 65 bypass in Roseville is an example of this coordinated approach. This $46 million project will enable the expansion of such high technology firms as Hewlett-Packard to occur in the Roseville area by producing a coordinated plan for transportation expansion, housing construction and air quality controls.

Since 1975, California has given high priority to the development of mass transit. In that year, Caltrans became involved in passenger rail travel between San Diego and Los Angeles. For example, the number of passengers using trains along this corridor has increased from half a million to almost two million passengers a year. The Administration supported the passage of SB 620, which allocates approximately $125 million a year for the expansion of mass transit through the development of new rail and bus systems, and better use and expansion of existing urban systems. This is the largest amount of money that has ever been authorized by the State to encourage energy-efficient travel. Another example of this commitment is the soon to be completed San Diego light rail project between downtown San Diego and the Mexican Border. This project, using a mix of State Highway account funds and local funds, will cost $84 million or less than $6 million per mile.

Promoting Economic and Business Development

To encourage the development of business compatible with California's needs, the Governor signed legislation in 1977 creating the Department of Economic and Business Development. In its short history, the Department has assisted over 1,000 firms, resulting in new industrial sitings and expansions of existing plants. Management and technical assistance is provided to small businesses and several loan programs have given direct financial assistance to over 100 small businesses. The Department has sponsored measures to improve California's business climate such as the repeal of the inventory tax. Duplicative and unnecessary regulations have also been targeted for elimination.

RESOURCES AGENCY

It is the policy of the Resources Agency to develop and support programs which contribute to maintaining and improving the quality of our environment and strengthen the vitality of our natural systems and resources. A healthy environment and the availability of natural resources on a sustaining or long-term basis are fundamental to the economic vitality of California.

Even in a State as richly endowed in resources as California, some very disconcerting statistics began to emerge in resources assessments a few years ago. We discovered that California's oil production had peaked in 1968. Our salmon fisheries had declined to only 40 percent of their past levels and timber production in California had declined steadily since 1958. Five million acres of California's 16 million acres of forest land were either lying fallow or not producing timber at full potential. At the local level, cities such as Oakland had budgets for tree removal, but were not spending a penny to plant new trees. All these disturbing trends were observed at a time when many nations of the world were experiencing financially ruinous dependence on imported oil, extensive deforestation, and diminishing fisheries.

It thus became clear that we are entering an era in which our economic prosperity, the condition of our environment, and the quality of our lives will be determined by how carefully we utilize our remaining nonrenewable resources and by how successfully we enhance and sustain our renewable ones.

The beginning steps have already been taken to provide for enhancing the natural resources that are the real wealth of California. The importance of these resources to the prosperity and well-being of California's citizens has been clearly affirmed by the California Legislature. By overwhelming bipartisan votes, the Legislature has enacted and the Governor has signed a number of bills creating an unprecedented foundation for resource restoration or enhancement in the next two decades. These programs include:

***The Forest Improvement Act* (AB 3304, Calvo), 1978**

This bill consists of enabling legislation that provides for an urban forestry program and permits cost-sharing funds for reforestation on small private landholdings of less than 5,000 acres.

***The Forest Resources Development Fund* (AB 320, Calvo), 1979**

This bill established, for the first time, the principle that income from the sale of timber on State-owned forests would be returned and reinvested to improve forest productivity in California.

This year over 10,000 acres are being reforested from the Forest Resources Development Fund. Sixty-eight contracts have already been signed in areas from Santa Cruz County northward to Oregon and in the North and Central Sierras. An additional 75 contracts are in negotiation.

Under the urban forestry program more than 50,000 trees have been planted in Oakland, Los Angeles, Needles, and San Francisco.

The Renewable Resources Investment Fund **(SB 201, Wilson), 1979**

This legislation provided $10 million to develop wood energy, help restore salmon stocks, and develop water conservation and water reclamation projects.

Using this fund, two million yearling salmon have been raised and released in California streams. These yearlings are expected to provide about 50,000 returning fish for spawning. In addition, the California Conservation Corps has cleared 100 miles of formerly blocked streams. These open streams will provide suitable habitat for 250,000 spawning salmon returning from the sea this year.

Water conservation kits have been distributed to 330,000 households in the Humboldt Bay area and in Santa Barbara and Ventura counties. These kits will enable savings of 337,000 barrels oil per year by reducing fuel consumption for water heating.

The Geothermal Resources Fund **(AB 1905, Bosco), 1980**

This bill provides that 30 percent of the income from Federal geothermal leases in California be deposited in the Renewable Resources Investment Fund for reinvestment to enhance other natural resources.

The Energy and Resources Fund **(AB 2973, Vasconcellos), 1980**

This bill assigns a portion of tidelands oil revenue income from a nonrenewable resource to reinvestment for restoring and enhancing California's energy and renewable resources.

The Energy and Resources Fund, the culmination of this series of bills, establishes the most comprehensive renewable resource investment program in the Nation. It provides for up to $120 million each year for enhancing California's fishery, soil, forest, water, parkland, and renewable energy resources. A comprehensive program for 1981–82 has been developed by the Resources Agency and its departments to meet these objectives.

VII. 1981–82 CONTINGENCY PLAN FOR EMERGENCY PUBLIC WORKS

As required by Chapter 1030, Statutes of 1977, this Contingency Plan for Emergency Public Works is always included in the *Economic Report of the Governor.*

The Contingency Plan, which is updated annually, has been developed as an extension of the capital outlay budget process by staff of the Department of Finance and other State departments. In addition, the research staff of the Employment Development Department provided critical comments. Responsibility for the content and conclusion of the plan is assigned to the State Public Works Board.

BACKGROUND

In enacting Chapter 1030, Statutes of 1977, the State Legislature found and declared that properly timed capital outlay for needed public works is an important instrument for combating unemployment and for maintaining a healthy State economy. The primary purpose of this legislation was to establish procedures whereby an inventory of potential public works will be kept in readiness for implementation on short notice when and if funds become available during periods of severe unemployment. This inventory is to be updated annually.

Section 15799.6 of the Government Code, as added by Chapter 1030, requires the Contingency Plan to address the following:

1. The nature of the project and the public purpose to be served.
2. The location of the project, identification of the labor market or markets from which the direct labor force for the project would be drawn, and an estimate of the economic impact of the project on that labor market, as well as on the economy of the State as a whole.
3. The minimum number of days following assurance of funding required to begin on-site labor on the project.
4. The estimated cost of the project and possible sources of funds, as well as criteria required to be met to qualify for such funds, if known.
5. The estimated costs of maintenance and operation of the product of such a project upon completion, and the source of funds for such maintenance and operation.
6. The environmental impact report on the project, if required.
7. If more than one such project is proposed that will impact on the same labor market, a priority ranking for each such project and the reasons for such ranking.

The 1981–82 Contingency Plan for Emergency Public Works represents the fourth product under the existing statute and consists of capital outlay, deferred maintenance and special repair projects. The "construction anticipated projects" include projects which are in the 1981–82 Governor's Budget and are being reviewed by the Legislature. The "potential construction" projects have not been submitted for legislative review, but in the opinion of the State Public Works Board, could be implemented or accelerated to help alleviate unemployment.

The Plan excludes program areas under the control of the State

Allocation Board, and the Department of Water Resources (relating to the California Water Plan). These program areas are under special guidelines established within other statutory programs and are not within the direct review and approval authority of the State Public Works Board.

To assist the State Public Works Board in the evaluation of the Contingency Plan, Chapter 1030 further provides that the Director of the Employment Development Department shall meet with and advise the Board whenever the Board is engaged in specified activities relating to the Contingency Plan for Emergency Public Works.

METHODOLOGY OF PREPARING THE PLAN

The Contingency Plan presented here reflects anticipated construction included in the 1981–82 Governor's Budget, potential construction, deferred maintenance and special repair projects which were developed from information provided from the respective departments specifically for the plan, and from projects taken from proposals which have not been funded from prior budgetary requests due to a lack of available State funds. The evaluation criteria applied to all proposed projects also provided the basis for assigning the category/priority to the projects chosen for inclusion in the 1981–82 plan. The criteria used are as follows:

Category	*Priority*
1	First priority is assigned to those projects that are necessary to correct health and life safety code deficiencies mandated by State and Federal statutes or standards.
2	Second priority is assigned to projects that are necessary for the removal of architectural barriers to the physically handicapped mandated by State or Federal statutes or standards.
3	Third priority is assigned to projects that are necessary to meet population-driven programs needing critical capacity space at existing or proposed facilities (corrections, hospitals, education, etc.).
4	Fourth priority is assigned to those projects necessary to ensure the continued operations of existing programs.
5	Fifth priority is assigned to those projects necessary to improve the operating capabilities of a facility or to make existing facilities operable. This category would include physical plant redesign and development to enhance the efficiency of the facility and also would include utility service lines (where not covered under life and safety criteria).

Sixth priority is assigned to those projects designed to improve the efficient use of energy and conservation of nonrenewable natural resources. These projects would include energy retrofits and development of alternate energy sources, such as the construction of cogeneration plants.

HOW TO USE THE PLAN

The Plan is supported by a series of schedules which represent an inventory of projects recommended by various State departments. These schedules can be obtained from the Department of Finance.

Schedule I—*Summary*—This schedule displays the plan data totals by department for the *entire State*.

Schedule II—*Construction Anticipated*—This schedule provides a listing of projects in the 1981–82 Governor's Budget for which funds have been requested. Information is provided as follows (other schedules are similarly displayed, as appropriate):

1. Requesting department.
2. Customary source of funding projects in the department.
3. Project description and estimated cost at Engineering News Record (ENR) 3500, or in the case of the Department of General Services projects, use of the Lee Saylor's Subcontract Index.
4. Days required to start on-site construction if the project is approved and funded.
5. Project phase ("W"=working drawings and "C"=construction) is provided to reflect the status of the project. In some instances, working drawings are complete and construction can begin when funds are made available (shown as "C" only). In other instances, working drawings must be completed prior to the start of on-site construction (shown as "WC").
6. An estimate of the person-months required to complete the project at construction level. This estimate would not include time required to develop contract documents.
7. Project location is reported by county to assist in the development of labor market impact studies.
8. Information is provided to reflect the priority category of the project. The ranking of these projects is indicated by letters a, b, c, d, e, or f. These categories represent the current capital outlay and deferred maintenance and special repair projects evaluation criteria established by the Administration, and have been applied in development of the Plan (see Methodology of Preparing the Plan).

Schedule III—*Potential Construction*—This schedule is a report of projects that are not funded and have never been submitted for legislative review but are available for contingency plans should it become necessary or desirable for the Legislature to authorize additional projects. This schedule contains construction projects in the various program areas, but excludes deferred maintenance and special repair projects for all

departments. The volume of deferred maintenance projects is of such magnitude that they have been identified separately in Schedule IV.

Schedule IV—*Potential Construction—Deferred Maintenance and Special Repairs*—This schedule is a report of potential deferred maintenance and special repair projects which are currently unfunded but which are labor intensive with potentially short start-up capability. This schedule, in addition to those deferred maintenance and special repair projects that have not been reviewed by the Legislature, includes the backlog of deferred maintenance and special repair projects that were reviewed by the Legislature, but have not been funded because the funds provided by the Federal Anti-Recession Fiscal Aid Program 1977–78 Title II, Round II are virtually exhausted.

Schedule V—*Summary of the Contingency Plan by County and Department*—This is a listing of the total impact of the contingency plan within each county and identifies the State departments involved. The inventory, which includes both construction and deferred maintenance and special repair, becomes important when it is necessary to seek a solution to problems on a regional basis.

Schedule VI—*Comments and Evaluation of the Employment Development Department*—Identifies the potential employment effects, statewide and by labor market area, of the Contingency Plan for Emergency Public Works.

PLAN REQUIREMENTS AND DESCRIPTION

1. The 1981–82 Contingency Plan for Emergency Public Works identifies projects which would create a total of 77,656 person-months of employment at a cost of $429.5 million. Of the total, anticipated construction (Schedule II) accounts for 19,446 person-months of employment at a cost of $107.0 million. Potential projects (Schedules III and IV) identified in the plan account for another 58,210 person-months of employment at a cost of $321.1 million.

2. All of the projects proposed for funding as part of this Contingency Plan will serve a public purpose consistent with the mission of the sponsoring department. The projects incorporated in the planning effort represent capital outlay and deferred maintenance and special repair proposals.

3. As the Contingency Plan is directed to the various employment markets, the identification of the labor market or markets from which the direct labor force would be drawn becomes an important element. Schedule V identifies the location of projects by county and by proposed dollar volume within the county. The labor markets used for statistical purposes by the Employment Development Department are fewer in number than the counties in the State. Schedule VI identifies the counties and their treatment as labor areas. A factor in the construction trades is the mobility of the labor force so the

7—81995

county designation of the project in the Contingency Plan might not accurately reflect the labor market impact; however, it is the best measure available.

4. One of the more difficult issues to address is the minimum number of days following assurance of funding that will be required to begin on-site labor on the project. The planning effort that has been undertaken in many of the projects reported in the Contingency Plan is limited in many instances to only the development of schematic plans. More detailed preliminary plans and the preparation of contract documents would precede on-site labor. In addition, the complexities of project management through the review process of the State Public Works Board and other legal requirements further extends the time line. All of these control measures have been time-tested to assure that the State receives value for their construction dollar. As a result, estimates of the minimum number of days will extend from 15 days for a simple project to 360 days for the most complex proposal.

5. Schedules II through IV report the estimated costs of the individual projects. In the case of Schedule II, the possible fund sources represent the funding as proposed in the 1981–82 Governor's Budget. *Included in Schedule II are projects proposed to be funded from the Energy and Resources Fund.* Schedule III represents projects currently unfunded; therefore, the customary funding source utilized in the budget for the particular department is indicated. Costs of projects reported in Schedules III and IV are based upon the cost projection of the Engineering News Record (ENR) at 3500, or in the case of the Department of General Service projects, the estimates are based on the Lee Saylor's Subcontract Index. As these projects have not proceeded through the normal budget process as far as those reported in Schedule II, the cost figures are subject to change.

   The total cost of the Community College projects includes both the State and local shares. Community College districts must take action to develop and/or release matching funds. As there is no way to predict with certainty the response of the local boards to match State monies, the final approval of Community College projects is dependent upon action of local boards; or the State would be required to fund the total project cost. Chapter 910, Statutes of 1980 (AB 1171) contained provisions for funding community college projects at a varying percentage. Upon verification by the Community College Chancellor's Office that the district does not have the normal matching share of the cost of a project, the State can fund up to 100 percent of the project.

6. In general, departmental proposals were modest in their assessment of the costs of maintenance and operation of a project upon completion. Few of the proposals would increase annual costs above that expected for the programs involved. For the most part, the projects replace and make existing facilities more effective or satisfy normal program growth. Except for the latter, the proposed projects may result in operational cost savings as a result of more efficient operation. General operating budget resources will provide the source of funds to operate and maintain the facilities should the projects come to fruition.

7. The departments were asked to indicate whether (1) an Environmental Impact Report had already been filed; (2) a negative declaration has been filed; or (3) the project is categorically exempt. The majority of projects contained in this plan are categorically exempt or a negative declaration has been filed.

8. Schedule V reflects the various counties and the departments responsible for projects within the County. Project selection between the various departments will be an evaluation conditioned by the time available to initiate action at that time in the future when the Contingency Plan is implemented.

IMPLEMENTATION

Chapter 1030, Statutes of 1977, requires the maintenance of an inventory of public works projects in readiness for implementation on short notice when and if funds become available during periods of temporary severe unemployment. Current statistical resources are not sufficiently refined to identify unemployment by various skill categories. For example, while unemployment might be high in an area, the rate among electricians or plumbers might be low.

Implementation is also affected by the readiness of the individual projects to be bid for construction. Many of the projects proposed in this plan need to be brought closer to the construction phase if they are to be valuable as a tool in counteracting unemployment. Under the traditional capital outlay process, preliminary plans and working drawings are not prepared until funds have been provided in anticipation of constructing a facility. Because of this, many of the projects proposed in this plan could not be advertised for construction bids immediately. However, as indicated by the estimated number of days to start the projects, it is believed that if funds were immediately made available many projects could be implemented on an emergency basis.

Table VII-1

Contingency Plan for Emergency Public Works
Summary by County

Counties	Construction Anticipated Detail in 1981–82 Governor's Budget		Potential Construction Not Presently Funded		Potential Construction Deferred Maintenance and Special Repairs	
	Person Months	Amount	Person Months	Amount	Person Months	Amount
Alameda	705	$4,425,304	1,466	$9,142,051	701	$4,007,267
Amador	—	—	1,218	4,923,322	—	—
Butte	101	404,500	333	1,800,000	95	628,690
Contra Costa	86	655,500	—	—	137	1,100,000
El Dorado	—	—	179	895,000	3	30,000
Fresno	—	—	1,356	6,902,000	64	372,400
Humboldt	30	160,000	221	1,137,800	268	1,526,448
Imperial	6	8,700	162	1,296,000	69	537,397
Inyo	—	—	—	—	6	60,000
Kern	516	3,776,900	106	848,250	121	936,700
Kings	—	—	60	480,000	—	—
Lake	—	—	118	700,000	—	—
Lassen	—	—	23	110,000	59	289,000
Los Angeles	3,152	19,608,200	5,971	40,021,380	3,985	25,698,895
Marin	235	1,127,100	80	506,215	643	4,758,368
Mendocino	735	6,552,658	701	3,500,597	7	27,640
Merced	6	35,100	106	850,000	—	—
Monterey	473	2,197,400	676	4,297,000	144	694,514
Napa	1,556	7,797,117	812	3,310,820	502	2,308,280
Nevada	18	222,000	16	95,000	—	—
Orange	2,876	14,717,755	8,743	44,831,937	1,262	5,520,853
Placer	16	69,300	431	2,153,642	62	308,900
Plumas	—	—	169	845,000	—	—
Riverside	227	1,249,000	591	2,928,469	181	1,137,533
Sacramento	51	379,532	142	970,500	541	5,168,695
San Bernardino	296	1,391,700	2,187	8,997,050	363	1,897,300
San Diego	879	4,603,200	4,522	23,134,371	527	2,802,490
San Francisco	116	709,399	1,218	6,363,500	745	3,949,279
San Joaquin	1,106	5,443,620	592	2,682,400	220	1,092,200
San Luis Obispo	481	2,277,600	1,519	7,758,750	225	1,214,000
San Mateo	57	212,800	322	1,606,000	89	437,858
Santa Barbara	93	354,200	1,063	5,398,000	284	1,598,007
Santa Clara	554	2,436,300	1,393	7,211,500	478	2,388,980
Santa Cruz	155	794,600	869	4,386,548	93	477,100
Shasta	—	—	—	—	48	400,000
Siskiyou	—	—	—	—	10	85,500
Solano	31	148,600	132	670,736	192	1,523,507
Sonoma	37	187,450	2,016	10,366,600	211	1,091,000
Stanislaus	10	58,800	—	—	69	542,820
Sutter	—	—	24	225,000	—	—
Tulare	2,204	11,314,187	—	—	82	465,583
Tuolumne	18	143,800	1,387	6,938,917	366	2,932,085
Ventura	17	85,000	2,649	13,250,778	251	1,238,800
Yolo	153	840,000	124	734,000	324	1,787,000
Yuba	2	1,200	—	—	28	229,389
Various	2,452	12,640,665	957	7,936,138	103	563,500
Totals, All Counties	19,446	$107,029,187	44,654	$240,205,271	13,558	$81,827,978

STATISTICAL APPENDIX

STATISTICAL APPENDIX

CONTENTS

Population and Labor Force — *Page*

1 Population of the United States and California, 1960–80 ..... A-5
2 Components of Change in California's Civilian Population, 1960–79 ..... A-6
3 Total Population of California Counties, 1980 ..... A-7
4 Civilian Labor Force, California, 1967–80 ..... A-8

Employment and Unemployment

5 Wage and Salary Workers in Nonagricultural Establishments by Major Industry Division, California, 1965–80 ..... A-9
6 Wage and Salary Workers in Nonagricultural Establishments, by Major Industry Division, Selected Areas, 1979–80 ..... A-10
7 Wage and Salary Workers in Manufacturing, California, 1975–80 ..... A-12
8 Aerospace Employment in California, 1960–80 ..... A-14
9 Average Weekly and Hourly Earnings and Average Hours Worked per Week, Production and Related Workers in Manufacturing, California and United States, 1960–80 ..... A-15
10 Average Weekly and Hourly Earnings and Average Hours Worked per Week in Selected Nonmanufacturing Industries, California, 1980 ..... A-16
11 Average Gross and Net Spendable Weekly Earnings of Production and Related Workers in Manufacturing, California and Los Angeles-Long Beach, San Francisco-Oakland, and San Diego Metropolitan Areas, 1960–80 ..... A-17

Personal Income

12 Personal Income in California, Total and Per Capita, 1960–80 ..... A-19
13 Personal Income by Major Sources, California, 1960–80 ..... A-20
14 Disposable Income, California, 1960–79 ..... A-21
15 Industrial Sources of Earnings, California and United States, 1977–79 ..... A-21
16 Number of Personal Income Tax Returns, Adjusted Gross Income, Taxable Income, and Tax Assessed, 1960–78 ..... A-22
17 Personal Income Tax Statistics, by County, 1978 ..... A-23

Consumer Prices

18 Consumer Price Index, United States, California, Los Angeles, San Francisco, and San Diego, 1960–80 ..... A-25

Agriculture

19 California Cash Farm Receipts, Production Expense, and Income, 1960–79 ..... A-26
20 California Cash Farm Receipts, All Crops, Livestock and Poultry, Miscellaneous, and Government Payments, 1960–79 ..... A-27
21 California Cash Farm Receipts from Crops, 1960–79 ..... A-28
22 Agricultural Employment in California, 1960–80 ..... A-29

Business and Commerce

23 Corporate Profits from California Operations, 1960–78 ..... A-30
24 Bank and Corporation Franchise Tax Returns Reporting Net Income Subject to State Taxation, by Industry, 1977 and 1978 ..... A-31

Construction

25 California Building Permit Activity: Nonresidential Valuation by Selected Types of Construction, 1963–80 ..... A-32
26 Private Residential Housing Units Authorized by Permits, California, 1963–80 ..... A-33

CONTENTS—Continued

Trade *Page*

27 Taxable Transactions in California and Outstanding Sales Tax Permits, by Type of Outlet, 1960–80 ..... A-34
28 Taxable Transactions in California by Type of Business, 1975–1980 ..... A-35

Finance

29 Demand and Time Deposits, All Insured Commercial Banks, California, 1960–80 ..... A-36
30 Gross Loans by Major Categories, All Insured Commercial Banks, California, 1960–80 ..... A-37
31 Mortgage Loans and Savings Capital, California Savings and Loan Associations, 1960–80 ..... A-38
32 Selected Data on Federally Chartered Credit Unions in California, 1960–79 ..... A-39
33 Selected Data on State Chartered Credit Unions in California, 1960–79 ..... A-40
34 Selected Data on Personal Property Brokers in California, 1971–79 ..... A-41
35 Selected Data on Industrial Loan Companies in California, 1971–79 ..... A-41
36 Summary of State Tax Collections, 1960–82 ..... A-42
37 Comparative Yield of State Taxes, 1960–82 ..... A-43
38 Assessed Value of Tangible Property, Tangible Property Tax Levies and Average Tax Rate in California, 1960–81 ..... A-44
39 Allocations of General Property Tax Levies as Compiled for Computation of the Average Tax Rate, by County, 1979–80 ..... A-45

TABLE 1

POPULATION OF THE UNITED STATES AND CALIFORNIA, 1960–80 [a]

Year (July 1)	United States [1]	California [2]	California as percent of United States	Percent change	
				United States	California
1960	179,975,000	15,863,000	8.8	1.6	3.8
1961	182,973,000	16,412,000	9.0	1.7	3.5
1962	185,738,000	16,951,000	9.1	1.5	3.3
1963	188,438,000	17,530,000	9.3	1.5	3.4
1964	191,085,000	18,026,000	9.4	1.4	2.8
1965	193,460,000	18,464,000	9.5	1.2	2.4
1966	195,501,000	18,831,000	9.6	1.1	2.0
1967	197,374,000	19,174,700	9.7	1.0	1.8
1968	199,312,000	19,432,000	9.7	1.0	1.3
1969	201,306,000	19,744,700	9.8	1.0	1.6
1970	203,810,000	20,023,000	9.8	1.2	1.4
1971	206,219,000	20,266,000	9.8	1.2	1.2
1972	208,234,000	20,477,000	9.8	1.0	1.0
1973	209,859,000	20,670,000	9.8	0.8	0.9
1974	211,389,000	20,915,000	9.9	0.7	1.2
1975	213,051,000	21,216,000	10.0	0.8	1.4
1976	214,669,000	21,550,000	10.0	0.8	1.6
1977	216,383,000	21,900,000	10.1	0.8	1.6
1978	218,059,000	22,314,000	10.2	0.8	1.9
1979	219,930,000	22,694,000	10.3	0.9	1.7
1980 (April 1) [3]	226,504,825	23,668,562	10.4	—	—

[a] Includes members of the Armed Forces stationed in the area.

[1] Source: 1960–69 U.S. Bureau of the Census, Current Population Reports P-25 No. 640
1970–79 U.S. Bureau of Census Current Population Reports P-25 No. 865

[2] Source: 1960–69 California Department of Finance
1970–79 U.S. Bureau of Census Current Population Reports P-25 No. 868

[3] 1980 decennial census. Not consistent with data from previous years.

TABLE 2

COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1960–79

Year (July 1)	Civilian population	Net change	Net migration	Natural increase	Gains from military
1960	15,550,000	586,000	351,000	231,000	+4,000
1961	16,108,000	558,000	308,000	244,000	+6,000
1962	16,634,000	526,000	306,000	240,000	−20,000
1963	17,197,000	563,000	320,000	234,000	+9,000
1964	17,706,000	509,000	308,000	230,000	−29,000
1965	18,143,000	437,000	232,000	217,000	−12,000
1966	18,459,000	316,000	179,000	185,000	−48,000
1967	18,796,000	337,000	198,000	184,000	−45,000
1968	19,046,000	250,000	102,000	176,000	−28,000
1969	19,354,000	308,000	118,000	185,000	+5,000
1970	19,647,000	293,000	80,000	193,000	+20,000
1971	19,922,000	275,000	64,000	184,000	+27,000
1972	20,126,000	204,000	40,000	144,000	+20,000
1973	20,359,000	233,000	101,000	130,000	+2,000
1974	20,615,000	256,000	122,000	131,000	+3,000
1975	20,927,000	312,000	165,000	145,000	+2,000
1976	21,267,000	340,000	184,000	153,000	+3,000
1977	21,623,000	356,000	182,000	174,000	—
1978	22,044,000	421,000	243,000	178,000	—
1979	22,427,000	383,000	194,000	189,000	—

Source: California Department of Finance, Population Research Unit.

TABLE 3

TOTAL POPULATION OF CALIFORNIA COUNTIES, 1980

Counties	Preliminary Census April 1, 1980	Counties	Preliminary Census April 1, 1980
Alameda	1,097,580	Placer	117,293
Alpine	1,093	Plumas	17,365
Amador	19,261	Riverside	660,012
Butte	143,150	Sacramento	780,391
Calaveras	20,442	San Benito	24,910
Colusa	12,738	San Bernardino	877,481
Contra Costa	650,155	San Diego	1,858,217
Del Norte	18,210	San Francisco	674,063
El Dorado	85,202	San Joaquin	346,821
Fresno	506,977	San Luis Obispo	154,732
Glenn	21,333	San Mateo	581,698
Humboldt	108,486	Santa Barbara	296,996
Imperial	91,708	Santa Clara	1,283,043
Inyo	17,871	Santa Cruz	186,873
Kern	400,506	Shasta	114,779
Kings	73,819	Sierra	3,069
Lake	36,507	Siskiyou	39,715
Lassen	21,674	Solano	230,228
Los Angeles	7,441,302	Sonoma	292,190
Madera	63,078	Stanislaus	265,671
Marin	217,114	Sutter	52,247
Mariposa	11,055	Tehama	38,876
Mendocino	66,751	Trinity	11,849
Merced	134,252	Tulare	243,060
Modoc	8,618	Tuolumne	33,921
Mono	8,589	Ventura	527,942
Monterey	289,252	Yolo	113,305
Napa	96,783	Yuba	49,671
Nevada	51,751		
Orange	1,919,264	Sum of Counties*	23,510,939

* Total may not equal sum due to independent rounding. Sum of counties not consistent with State total in table 1 because the county figures are preliminary and the State total is final.

TABLE 4

CIVILIAN LABOR FORCE, CALIFORNIA, 1967–80

(In thousands)

Year and month	Labor force [a]	Employed [b]	Unemployed [c]	Percent unemployed	
1967	7,679	7,242	437	5.7	
1968	7,792	7,369	423	5.4	
1969	7,919	7,508	411	5.2	
1970	8,157	7,566	591	7.3	
1971	8,358	7,642	735	8.8	
1972	8,582	7,930	651	7.6	
1973	8,814	8,197	617	7.0	
1974	9,195	8,525	670	7.3	
1975	9,385	8,460	926	9.9	
1976	9,709	8,820	889	9.2	
1977	10,142	9,307	834	8.2	
1978	10,646	9,890	756	7.1	
1979	10,968	10,285	683	6.2	
1980	11,203	10,443	760	6.8	
				Unadjusted	Adjusted for seasonal variations
1979 January	10,868	10,135	733	7.2	6.7
February	10,907	10,193	714	7.0	6.5
March	10,811	10,109	702	6.7	6.5
April	10,816	10,150	666	6.2	6.2
May	10,844	10,194	650	5.6	6.0
June	10,919	10,279	640	5.9	5.9
July	10,986	10,333	653	6.2	5.9
August	11,044	10,359	685	6.3	6.2
September	11,067	10,369	700	6.1	6.3
October	11,103	10,419	684	5.8	6.2
November	11,089	10,426	663	5.7	6.0
December	11,158	10,454	704	6.0	6.3
1980 January	11,115	10,443	672	6.5	6.0
February	11,097	10,401	696	6.8	6.3
March	11,145	10,454	691	6.4	6.2
April	11,208	10,426	782	7.0	7.0
May	11,183	10,394	789	6.7	7.1
June	11,165	10,366	799	7.2	7.2
July	11,207	10,455	752	7.0	6.7
August	11,317	10,513	804	7.3	7.1
September	11,221	10,442	779	6.7	6.9
October	11,246	10,441	805	6.8	7.2
November	11,312	10,497	815	6.9	7.2
December	11,204	10,470	734	6.2	6.6

[a] Detail may not add to total because of rounding.

[b] Includes wage and salary workers, employers, own-account workers, and unpaid family workers. Excludes workers directly involved in work stoppages who receive no pay for the payroll period which includes 12th of the month.

[c] Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.

Source: California Employment Development Department.

TABLE 5

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS BY MAJOR INDUSTRY DIVISION, CALIFORNIA, 1965–80 *

(In thousands)

Year and month	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
1965	5,800.3	31.7	323.7	1,411.2	387.1	1,269.7	306.7	964.8	1,105.4
1966	6,145.2	32.3	305.6	1,531.3	410.3	1,329.3	310.6	1,029.1	1,196.7
1967	6,367.6	31.9	275.2	1,594.0	428.7	1,358.7	319.3	1,085.5	1,274.3
1968	6,642.1	32.5	290.7	1,639.7	440.7	1,418.1	337.8	1,146.8	1,335.8
1969	6,931.5	32.6	310.6	1,661.3	460.7	1,493.0	358.4	1,223.2	1,391.7
1970	6,947.7	31.4	303.0	1,558.0	459.1	1,530.8	374.5	1,266.2	1,424.7
1971	6,914.9	30.2	296.6	1,470.5	452.5	1,553.1	384.6	1,271.9	1,455.5
1972	7,209.9	29.2	320.7	1,536.0	454.1	1,608.6	409.3	1,359.4	1,492.6
1973	7,621.9	30.5	344.8	1,653.5	467.0	1,703.2	431.6	1,466.5	1,524.8
1974	7,834.2	32.7	334.0	1,694.1	470.7	1,751.9	444.8	1,520.1	1,585.9
1975	7,847.2	33.9	303.3	1,586.9	458.1	1,786.3	446.4	1,561.7	1,670.6
1976	8,154.3	34.7	317.6	1,650.9	463.9	1,875.6	468.7	1,647.3	1,695.6
1977	8,599.7	35.6	366.1	1,728.3	476.5	1,982.4	505.4	1,764.7	1,740.7
1978	9,199.8	37.1	417.5	1,875.2	506.4	2,126.0	553.2	1,931.3	1,753.1
1979	9,664.6	39.3	463.3	2,002.7	534.7	2,223.8	595.9	2,070.0	1,735.0
1980	9,834.0	42.9	431.2	2,001.1	542.5	2,267.5	620.9	2,161.0	1,766.9
1979 January	9,381.1	37.1	418.5	1,931.9	519.8	2,182.3	574.5	1,986.6	1,730.4
February	9,411.8	37.3	423.6	1,940.5	516.7	2,164.1	574.5	2,008.1	1,747.0
March	9,522.0	37.5	435.9	1,969.6	522.9	2,174.9	579.4	2,042.8	1,759.0
April	9,532.4	38.1	443.8	1,970.5	508.0	2,169.8	585.2	2,043.1	1,773.9
May	9,619.7	38.7	459.8	1,986.0	521.0	2,189.9	590.0	2,055.4	1,778.9
June	9,702.3	39.4	470.3	2,004.2	537.9	2,206.0	592.9	2,068.2	1,783.4
July	9,650.5	40.4	480.3	2,023.5	548.0	2,214.3	605.7	2,071.4	1,666.9
August	9,690.6	40.5	490.2	2,057.7	548.1	2,232.2	606.8	2,086.9	1,628.2
September	9,796.1	40.7	491.1	2,058.3	553.1	2,251.4	606.5	2,106.6	1,688.4
October	9,826.2	40.3	486.0	2,036.6	546.4	2 254.0	608.9	2,112.2	1,741.8
November	9,893.6	40.4	481.4	2,032.0	546.6	2,298.9	611.7	2,125.2	1,757.4
December	9,948.6	40.9	478.2	2,021.6	547.5	2,348.3	614.6	2,133.2	1,764.3
1980 January	9,733.3	40.7	430.2	1,996.9	536.5	2,250.4	612.0	2,110.8	1,755.8
February	9,793.7	40.5	444.5	2,000.7	536.9	2,235.8	616.1	2,140.8	1,778.4
March	9,853.3	41.0	443.1	2,014.8	538.0	2,243.4	618.3	2,161.6	1,793.1
April	9,855.0	42.4	440.0	2,000.7	539.7	2,233.3	618.3	2,162.6	1,818.0
May	9,864.4	43.2	438.8	1,990.5	542.4	2,247.1	618.0	2,160.0	1,824.4
June	9,883.9	43.6	437.7	1,987.0	543.1	2,258.0	619.8	2,171.8	1,822.9
July	9,726.3	43.9	395.0	1,989.8	545.0	2,255.6	621.8	2,174.0	1,701.2
August	9,716.4	43.2	433.3	2,015.4	547.6	2,265.2	623.0	2,132.9	1,655.8
September	9,841.9	43.2	439.2	2,025.8	551.4	2,287.4	624.5	2,152.1	1,718.3
October	9,855.0	44.0	429.2	2,006.1	542.5	2,284.9	625.6	2,155.9	1,766.8
November	9,917.0	44.3	424.2	1,997.7	544.1	2,297.5	626.3	2,198.9	1,784.0
December	9,967.3	44.2	419.8	1,988.2	542.8	2,350.9	626.8	2,210.1	1,784.5

* Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

Source: California Employment Development Department.

(Official U. S. Bureau of Labor Statistics series. The text portion of this report uses the interim series prepared by the EDD.)

TABLE 6

WAGE AND SALARY WORKERS[a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1979–80

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance insurance and real estate	Services	Government
Los Angeles-Long Beach									
1979	3,584.5	12.0	119.8	924.9	198.3	814.1	224.2	808.7	482.8
1980	3,620.9	12.9	119.2	916.0	198.7	817.7	233.1	830.7	492.1
San Francisco-Oakland									
1979	1,521.0	2.5	74.8	205.0	126.0	351.2	139.9	335.6	286.1
1980	1,561.6	3.2	74.3	203.5	129.8	361.2	146.2	350.6	292.9
Anaheim-Santa Ana-Garden Grove									
1979	804.2	2.2	51.4	216.0	26.2	192.0	53.0	162.4	100.9
1980	838.7	2.3	49.9	222.2	27.6	201.2	56.8	173.1	105.7
San Jose									
1979	637.2	0.2	26.2	224.3	21.1	119.4	25.8	141.5	78.9
1980	676.2	0.2	25.4	241.7	21.6	127.2	27.3	152.6	80.2
San Diego									
1979	636.7	0.7	41.7	102.2	28.0	146.4	37.2	142.5	138.1
1980	649.3	0.6	36.4	108.0	28.4	147.7	38.6	148.6	141.0
Riverside-San Bernardino-Ontario									
1979	430.2	2.6	29.6	67.2	24.2	103.3	18.6	87.4	97.4
1980	435.0	2.3	26.6	64.4	25.5	106.9	18.6	90.3	100.3
Sacramento									
1979	393.4	0.4	23.6	27.8	21.6	91.6	20.8	70.0	137.6
1980	399.3	0.5	19.3	27.2	21.7	93.9	22.3	73.4	141.1
Fresno									
1979	179.9	0.9	12.4	23.5	10.5	47.2	10.6	34.9	40.0
1980	182.7	1.0	11.0	23.0	10.9	48.9	10.9	36.2	40.8
Bakersfield									
1979	125.7	10.7	7.2	9.4	7.6	32.3	4.6	22.2	31.8
1980	130.2	11.1	7.6	9.3	7.7	33.5	4.8	23.6	32.7
Stockton									
1979	118.4	0.1	6.3	21.6	8.4	27.2	4.9	22.9	26.9
1980	117.8	0.1	5.7	20.7	8.1	27.6	5.0	23.8	26.9
Oxnard-Simi Valley									
1979	147.2	2.5	8.7	23.3	6.2	34.5	7.0	28.8	36.2
1980	154.4	2.6	8.6	24.4	6.6	36.3	7.5	30.9	37.6
Santa Barbara-Santa Maria-Lompoc									
1979	118.8	1.2	5.2	16.6	4.6	29.3	5.4	32.1	24.3
1980	122.1	1.5	5.1	16.4	5.0	30.0	5.6	34.1	24.5

TABLE 6—Continued

WAGE AND SALARY WORKERS * IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1979–80

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance and real estate	Services	Government
Vallejo-Fairfield-Napa									
1979	97.6	0.4	5.2	10.7	4.5	20.6	3.4	18.3	34.6
1980	99.9	0.5	5.0	10.9	4.7	21.2	3.3	19.2	35.2
Salinas-Seaside-Monterey									
1979	86.8	0.5	3.6	9.8	4.8	22.5	4.2	19.0	22.4
1980	87.8	0.4	3.3	8.9	4.9	22.7	4.4	19.5	23.8
Modesto									
1979	87.2	0.1	6.5	20.1	3.8	21.3	3.3	16.0	16.2
1980	88.1	0.1	5.7	19.3	3.9	21.8	3.4	16.9	17.1
Santa Rosa									
1979	89.1	0.4	6.3	14.3	4.2	21.4	5.5	17.4	19.6
1980	92.5	0.4	5.9	14.9	4.5	22.5	5.7	18.3	20.2

* Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

Area definitions:

Anaheim-Santa Ana-Garden Grove—Orange County.
Bakersfield—Kern County.
Fresno—Fresno County.
Los Angeles-Long Beach—Los Angeles County.
Modesto-Turlock—Stanislaus County.
Oxnard-Ventura—Ventura County.
Sacramento—Placer, Sacramento, and Yolo Counties.
Salinas-Monterey—Monterey County.
Riverside-San Bernardino-Ontario—Riverside and San Bernardino Counties.
San Diego—San Diego County.
San Francisco-Oakland—Alameda, Contra Costa, Marin, San Francisco, and San Mateo Counties.
San Jose—Santa Clara County.
Santa Barbara—Santa Barbara County.
Santa Rosa—Sonoma County.
Stockton—San Joaquin County.
Vallejo-Napa—Napa and Solano Counties.

Source: California Employment Development Department.

TABLE 7
WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1975–80
(In thousands)

Industry	1975	1976	1977	1978	1979	1980
Total	1,586.9	1,650.9	1,728.3	1,875.2	2,002.7	2001.1
Nondurable goods	544.4	569.0	591.9	623.8	643.0	633.7
Durable goods	1,042.5	1,081.9	1,136.4	1,251.4	1,359.7	1,367.4
Nondurable goods						
Food and kindred products	172.8	175.1	178.8	182.3	186.4	183.1
Canned, cured, frozen sea foods	7.6	8.9	9.5	10.1	10.1	10.7
Meat products	21.0	20.6	20.1	20.2	20.1	20.0
Dairy products	13.5	12.8	13.1	12.7	13.5	13.1
Canned and preserved fruits and vegetables	55.1	55.1	55.6	56.0	58.3	55.1
Grain mill products	7.6	7.7	8.2	8.3	8.5	8.5
Bakery products	17.9	18.3	18.5	18.8	18.8	19.2
Beverages	20.3	20.9	21.6	23.6	23.8	23.9
Other food and kindred products	29.8	30.8	32.3	32.7	33.3	32.8
Textile mill products	13.9	14.8	14.8	15.8	16.0	14.8
Knitting mills	3.6	3.3	3.1	3.0	2.9	2.8
Floor covering mills	4.8	5.4	5.6	6.1	6.3	5.5
Other textile mill products	5.5	6.1	6.1	6.7	6.8	6.4
Apparel and other textile products	91.6	99.8	101.3	109.6	110.6	107.0
Men's and boys' furnishings	13.6	14.4	13.8	14.1	14.5	13.8
Women's and misses' outerwear	52.7	58.2	60.4	67.4	66.7	64.5
Women's and children's undergarments	3.9	4.3	4.0	3.9	4.2	3.9
Children's outerwear	1.8	1.8	1.6	1.4	1.4	1.6
Other apparel and textile products	19.5	21.1	21.5	22.8	23.8	23.3
Paper and allied products	34.9	36.8	37.4	37.7	39.1	38.7
Miscellaneous converted paper products	12.7	13.2	13.5	13.9	14.8	15.0
Paperboard containers and boxes	14.2	15.5	16.1	16.5	17.4	17.1
Other paper and allied products	8.0	8.1	7.9	7.3	7.0	6.7
Printing and publishing	94.6	98.0	103.3	112.4	118.9	122.3
Newspapers	33.9	35.2	36.8	39.6	41.6	42.5
Commercial printing	35.6	37.8	40.1	43.9	47.4	48.9
Other printing and publishing	25.1	25.1	26.3	28.8	29.9	30.9
Chemicals and allied products	55.3	57.8	61.0	62.9	64.4	64.1
Industrial inorganic chemicals	5.8	6.2	7.1	7.1	7.1	7.1
Plastics materials and synthetics	3.0	3.3	3.8	3.7	4.2	3.7
Drugs	11.9	12.5	13.7	14.8	15.7	16.4
Soaps, cleaners, toilet goods	11.7	12.2	13.3	13.5	13.4	13.3
Paints and allied products	7.1	7.6	7.8	7.9	8.3	7.4
Agricultural chemicals	6.3	6.3	5.4	5.1	5.2	5.4
Other chemicals and allied products	9.6	9.7	10.0	10.8	10.4	10.8
Petroleum and coal products	25.4	25.3	25.5	27.0	27.5	28.0
Petroleum refining	22.7	22.3	22.6	23.8	24.2	24.4
Other petroleum and coal products	2.8	2.9	2.9	3.2	3.3	3.5
Rubber and plastics products	47.0	51.4	59.0	63.8	68.0	64.9
Tires and inner tubes	6.4	4.9	6.7	5.3	4.8	3.0
Footwear and fabricated products	8.9	9.6	10.3	10.4	10.6	9.9
Miscellaneous plastics products	30.8	36.1	41.1	47.2	51.5	50.8
Other rubber and plastics products	0.9	0.8	1.0	0.9	1.1	1.2
Leather and leather products	8.9	10.2	10.8	12.4	12.3	10.8
Durable goods						
Lumber and wood products excluding furniture	53.4	60.1	66.4	69.5	68.7	61.7
Logging camps, sawmills, planing mills	22.9	25.6	26.2	26.5	27.2	23.9
Millwork, plywood, structural members	11.6	13.5	15.5	17.2	18.0	17.4
Wooden containers	4.3	4.7	4.8	4.4	4.7	4.6
Other lumber and wood products	14.6	16.3	19.9	21.4	18.7	15.8

TABLE 7-Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1975–80

(In thousands)

Industry	1975	1976	1977	1978	1979	1980
Furniture and fixtures	39.7	44.3	49.3	55.0	56.9	53.6
Household furniture	27.2	30.5	32.9	35.9	37.0	33.8
Partitions and fixtures	4.7	4.9	5.7	6.2	6.8	6.6
Other furniture and fixtures	7.9	8.9	10.7	12.9	13.1	13.1
Stone, clay, and glass products	50.0	51.6	53.7	57.2	60.0	57.4
Glass and glass products	14.5	15.5	15.9	17.5	18.0	17.3
Hydraulic cement	3.1	3.1	3.2	3.4	3.6	3.7
Structural clay products	3.6	3.7	3.8	3.9	3.8	3.2
Pottery and related products	6.3	6.8	6.6	6.5	6.4	6.5
Concrete, gypsum, plaster products	12.8	12.7	14.1	15.8	17.3	16.5
Other stone, clay, and glass products	9.8	9.7	10.1	10.2	10.8	10.3
Primary metal industries	54.1	52.8	54.3	57.3	60.5	56.9
Blast furnace and basic steel products	22.2	20.9	20.6	20.3	21.2	18.0
Iron and steel foundries	8.0	7.5	7.9	8.7	9.1	8.7
Nonferrous rolling and drawing	13.1	12.7	13.6	14.7	15.5	15.6
Nonferrous foundries	7.4	8.2	8.6	9.5	10.4	10.0
Other primary metals	3.5	3.5	3.7	4.1	4.4	4.6
Fabricated metal products	124.4	129.4	135.4	147.5	158.4	154.7
Can and shipping [illegible]iers	11.6	11.3	11.0	10.9	11.0	10.5
Cutlery, hand tools, hardware	14.4	15.9	16.8	17.6	18.6	16.2
Plumbing and heating excluding electric	5.4	6.1	7.1	7.5	8.2	7.5
Fabricated structural products	42.0	43.2	44.7	49.1	52.4	50.9
Screw machine products, bolts, etc.	9.2	8.8	9.3	11.3	13.6	15.5
Forgings and stampings	11.4	12.1	13.0	14.6	14.6	14.3
Metal services	13.8	15.2	16.0	18.3	20.2	20.1
Other fabricated metal products	16.7	17.0	17.4	18.2	19.9	19.7
Machinery excluding electrical	168.4	169.8	177.6	202.8	226.8	235.7
Farm and garden	3.6	4.1	4.4	5.0	5.4	5.4
Construction and related	16.8	17.7	18.0	19.6	21.4	21.8
Metalworking	16.2	16.4	16.7	18.7	20.6	20.1
Special industry	10.4	10.4	10.3	11.1	12.2	13.1
General industry	17.7	17.7	17.8	19.2	20.6	21.5
Office, computing, accounting	63.3	62.3	67.0	80.1	92.2	97.1
Refrigeration and service industry	4.9	5.4	6.3	7.2	7.6	7.6
Other machinery excluding electrical	35.7	35.8	37.2	42.0	46.8	49.2
Electrical equipment and supplies	224.0	237.7	251.8	284.6	316.8	332.8
Electrical distribution equipment	8.9	8.5	8.6	8.7	9.2	9.5
Industrial apparatus	10.8	11.4	12.1	13.7	14.2	15.1
Household appliances	4.3	5.3	5.5	5.6	5.7	5.1
Lighting and wiring equipment	15.5	16.2	17.7	20.5	23.5	23.6
Radio and TV receiving equipment	14.9	16.1	16.6	17.8	18.0	18.2
Communication equipment	98.7	99.5	102.1	113.2	123.5	130.1
Electronic components and accessories	65.7	74.8	82.3	97.3	114.6	123.1
Miscellaneous electrical equipment and supplies	5.3	6.1	6.9	7.8	8.0	8.1
Transportation and equipment	233.8	232.4	237.9	254.2	277.4	276.3
Motor vehicles and equipment	30.8	39.6	44.5	49.6	49.6	35.4
Aircraft and parts	121.3	108.5	109.4	117.5	140.4	152.6
Ship and boat building and repairing	19.9	21.2	21.2	22.3	23.1	22.5
Guided missiles, space vehicles and parts	50.0	47.6	45.4	46.7	50.9	54.9
Other transportation equipment	11.8	15.6	17.4	18.1	13.5	11.0
Instruments and related products	61.9	67.5	71.6	80.4	92.2	98.6
Measuring and controlling	30.2	32.5	33.5	37.4	41.9	44.7
Other instruments and related products	31.7	34.9	38.1	43.0	50.2	53.8
Miscellaneous manufacturing	32.8	36.4	38.4	43.1	42.1	39.9
Toys and sporting goods	13.3	14.8	15.1	16.2	15.8	15.9
Other miscellaneous manufacturing	19.5	21.5	23.2	27.0	26.3	24.0

Source: California Employment Development Department.

Table 8

AEROSPACE EMPLOYMENT IN CALIFORNIA, 1960–80

(In thousands)

Year and Month [a]	Total Aerospace	Office Computing and Accounting Machines	Radio and TV Receiving Equipment	Communication Equipment	Electronic Components and Accessories	Aircraft and Parts	Guided Missiles and Space Vehicles	Measuring and Controlling Instruments
1960	422.5	23.3	9.9	92.2	29.1	181.4	68.4	18.2
1961	425.8	23.6	10.6	98.8	31.2	166.0	76.2	19.5
1962	457.6	25.4	12.0	112.0	35.4	161.0	89.6	22.1
1963	458.3	25.6	11.9	110.4	34.8	160.1	93.7	21.8
1964	433.5	26.9	11.0	98.1	32.4	153.6	90.8	20.8
1965	434.3	30.2	10.8	95.7	34.9	155.3	86.0	21.4
1966	495.0	33.8	13.7	103.3	47.7	181.3	92.1	23.1
1967	542.4	38.8	15.0	117.6	52.0	198.6	97.4	23.0
1968	544.3	42.7	15.5	117.0	52.4	195.4	96.9	24.6
1969	528.3	53.4	16.7	114.4	57.7	178.3	82.6	25.3
1970	466.3	58.3	15.1	102.9	53.0	148.3	64.5	24.3
1971	409.6	52.3	14.2	91.1	45.9	130.3	52.9	23.0
1972	420.9	52.1	15.0	90.6	52.0	135.4	50.7	25.1
1973	455.8	61.4	15.5	95.3	68.9	135.6	48.6	30.5
1974	478.9	69.7	15.8	97.6	78.5	134.9	49.7	32.7
1975	444.1	63.3	14.9	98.7	65.7	121.3	50.0	30.2
1976	441.3	62.3	16.1	99.5	74.8	108.5	47.6	32.5
1977	456.3	67.0	16.6	102.1	82.3	109.4	45.4	33.5
1978	510.0	80.1	17.8	113.2	97.3	117.5	46.7	37.4
1979	581.5	92.2	18.0	123.5	114.6	140.4	50.9	41.9
1980	620.7	97.1	18.2	130.1	123.1	152.6	54.9	44.7
1980 January	610.3	97.4	18.1	127.4	123.0	147.5	52.9	44.0
February	613.8	97.2	18.4	128.0	123.3	149.9	52.8	44.2
March	619.5	98.2	18.6	129.2	124.4	151.9	53.2	44.0
April	618.5	97.7	18.6	128.9	124.0	151.7	53.4	44.2
May	618.7	97.6	17.6	128.6	123.8	152.7	53.8	44.6
June	621.6	97.6	18.1	129.2	124.1	153.7	54.1	44.8
July	622.3	97.6	17.7	130.2	124.2	152.8	55.0	44.8
August	622.6	96.8	17.8	130.6	123.6	153.3	55.6	44.9
September	622.7	95.8	18.5	130.9	122.5	153.9	55.9	45.2
October	624.4	96.0	18.6	131.7	121.9	154.4	56.8	45.0
November	626.4	96.5	18.3	132.9	121.4	154.4	57.4	45.5
December	628.0	96.7	18.4	133.3	121.2	155.2	57.7	45.5

[a] Data from 1960 through 1971 calculated using aerospace categories as defined by 1972 SIC codes. Data from 1972 through 1980 represent the official benchmarked aerospace series based upon the 1972 SIC codes.

Source: California Employment Development Department.

TABLE 9

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND UNITED STATES, 1960–80 [a]

Year	California			United States		
	Average weekly earnings	Average hourly earnings	Average hours per week	Average weekly earnings	Average hourly earnings	Average hours per week
1960	104.28	2.62	39.8	89.72	2.26	39.7
1961	108.53	2.72	39.9	92.34	2.32	39.8
1962	112.44	2.79	40.3	96.56	2.39	40.4
1963	115.78	2.88	40.2	99.63	2.46	40.5
1964	119.29	2.96	40.3	102.97	2.53	40.7
1965	123.83	3.05	40.6	107.53	2.61	41.2
1966	128.93	3.16	40.8	112.34	2.72	41.3
1967	132.92	3.29	40.4	114.90	2.83	40.6
1968	138.63	3.44	40.3	122.51	3.01	40.7
1969	145.89	3.62	40.3	129.51	3.19	40.6
1970	150.48	3.80	39.6	133.73	3.36	39.8
1971	158.79	4.02	39.5	142.44	3.57	39.9
1972	170.43	4.25	40.1	154.69	3.81	40.6
1973	178.93	4.44	40.3	166.06	4.08	40.7
1974	188.97	4.76	39.7	176.40	4.41	40.0
1975	205.67	5.22	39.4	189.51	4.81	39.4
1976	221.92	5.59	39.7	207.60	5.19	40.0
1977	240.60	6.00	40.1	226.89	5.63	40.3
1978	257.84	6.43	40.1	249.27	6.17	40.4
1979	280.50	7.03	39.9	268.94	6.69	40.2
1980	304.15	7.70	39.5	288.62	7.27	39.7

[a] Averages are based upon data for full-time and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing. Overtime pay and premium wages for late-shift work are included.

Source: California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 10

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, IN SELECTED NONMANUFACTURING INDUSTRIES, CALIFORNIA, 1980 [a]

Industry	Average weekly earnings	Average hourly earnings	Average hours per week
Mineral extraction			
Oil and gas extraction	$443.90	$10.88	40.8
Nonmetallic minerals, except fuels	460.91	11.16	41.3
Contract construction			
General building contractors	465.47	13.65	34.1
Heavy construction contractors, except building	549.17	14.49	37.9
Special trade contractors			
Plumbing, heating, air conditioning	512.77	14.82	34.6
Painting, paper hanging, decorating	453.59	14.97	30.3
Electrical work	597.02	16.63	35.9
Masonry, stonework, and plastering	448.22	13.92	32.2
Transportation and utilities			
Electric, gas, and sanitary services	420.04	10.22	41.1
Trade			
Wholesale	314.24	8.12	38.7
Retail	221.27	6.98	31.7
Services			
Motion picture production	467.19	12.01	38.9

[a] Averages are based upon data for full-time and part-time production and related workers in mineral extraction, construction workers in construction, and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.
Source: California Employment Development Department.

TABLE 11

AVERAGE GROSS AND NET SPENDABLE WEEKLY EARNINGS OF PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND LOS ANGELES-LONG BEACH, SAN FRANCISCO-OAKLAND, AND SAN DIEGO METROPOLITAN AREAS, 1960–80

(1972 SIC)

Area and year	Gross average weekly earnings	Net spendable earnings[a] (current dollars)		"Real" net spendable earnings[b] (1967 dollars)	
		Worker with 3 dependents	Worker with no dependents	Worker with 3 dependents	Worker with no dependents
California					
1960	$104.28	$91.15	$82.43	$103.34	$93.46
1961	108.53	94.60	85.60	105.94	95.86
1962	112.44	97.56	88.31	107.80	97.58
1963	115.78	99.71	90.24	108.50	98.19
1964	119.29	104.52	95.15	111.79	101.76
1965	123.83	109.16	99.79	114.42	104.60
1966	128.93	111.30	101.64	114.39	104.46
1967	132.92	114.44	103.45	114.44	103.45
1968	138.63	117.98	106.02	113.33	101.84
1969	145.89	122.54	110.03	112.11	100.67
1970	150.48	127.40	114.73	110.88	99.85
1971	158.79	135.52	122.65	113.79	102.98
1972	170.43	145.69	132.01	118.35	107.24
1973	178.93	150.77	135.84	115.80	104.33
1974	188.97	158.69	144.11	110.59	100.43
1975	205.67	174.11	154.85	109.92	97.76
1976	221.92	186.95	168.46	111.08	100.10
1977	240.60	203.89	181.24	113.15	100.58
1978	257.84	215.72	191.09	111.02	98.35
1979	280.50	237.38	208.23	109.80	96.31
1980	304.55	252.36	221.94	100.70	88.56
Los Angeles-Long Beach					
1970	145.30	123.46	111.22	108.01	97.31
1971	153.64	131.37	118.87	110.86	100.31
1972	164.02	140.82	127.60	115.14	104.33
1973	171.32	145.04	130.66	112.26	101.13
1974	180.35	152.14	138.11	106.76	96.92
1975	194.13	165.78	147.08	105.19	93.32
1976	206.96	176.15	158.31	104.85	94.23
1977	224.72	192.53	171.37	107.20	95.42
1978	241.38	203.96	181.23	105.95	94.15
1979	264.11	225.60	198.44	104.88	92.25
1980	290.47	242.24	213.63	96.82	85.38

TABLE 11—Continued

AVERAGE GROSS AND NET SPENDABLE WEEKLY EARNINGS OF PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND LOS ANGELES-LONG BEACH, SAN FRANCISCO-OAKLAND, AND SAN DIEGO METROPOLITAN AREAS, 1960–80

(1972 SIC)

Area and year	Gross average weekly earnings	Net spendable earnings[a] (current dollars)		"Real" net spendable earnings[b] (1967 dollars)	
		Worker with 3 dependents	Worker with no dependents	Worker with 3 dependents	Worker with no dependents
San Francisco-Oakland					
1970	165.33	139.35	125.41	120.34	108.30
1971	178.48	151.50	137.18	126.14	114.22
1972	194.04	164.80	149.55	132.58	120.31
1973	207.50	172.20	155.06	130.95	117.92
1974	223.44	184.91	167.37	128.05	115.91
1975	244.29	202.33	180.26	127.17	113.30
1976	269.39	221.57	199.02	131.89	118.46
1977	291.67	240.39	211.18	132.96	116.80
1978	310.44	252.38	220.91	127.85	111.91
1979	333.32	274.19	237.99	127.71	110.85
1980	361.03	290.92	252.60	117.69	102.18
San Diego					
1970	164.80	138.92	125.03	120.49	108.44
1971	167.03	142.23	128.75	118.72	107.47
1972	171.70	146.66	132.91	117.89	106.84
1973	178.03	150.09	135.23	113.28	102.06
1974	189.91	159.41	144.76	108.29	98.34
1975	202.22	171.62	152.57	106.73	94.88
1976	215.81	182.54	164.31	106.94	96.26
1977	230.29	196.54	174.93	107.99	96.12
1978	242.35	204.65	181.82	102.58	91.14
1979	259.11	222.00	195.35	96.35	84.79
1980	287.82	240.34	212.05	90.83	80.14

[a] After Federal and State income taxes and Federal social security and State disability insurance deductions.

[b] Net spendable earnings adjusted for changes in the Consumer Price Index. The Consumer Price Index is compiled by the U.S. Bureau of Labor Statistics and was done monthly for the Los Angeles-Long Beach Metropolitan Area and quarterly for the San Francisco-Oakland and San Diego Metropolitan Areas through December 1977. As of January 1978 the Revised Wage Earner and Clerical Worker CPI is used. This series is monthly for the Los Angeles-Long Beach Metropolitan Area and bimonthly for San Francisco-Oakland and San Diego Metropolitan Areas. The Index for California is prepared by the California Department of Industrial Relations as a weighted average of the indexes for Los Angeles-Long Beach, San Francisco-Oakland and San Diego.

Source: California Employment Development Department.

TABLE 12

PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1960–80

Year	Total			Per capita [a]		
	Amount (In millions)	Percent change	Percent of U.S.	Amount	Percent change	Percent of U.S. average
1960	$43,020	–	10.86	2,712	–	123.22
1961	45,379	5.5	11.03	2,765	2.0	123.00
1962	48,802	7.5	11.17	2,879	4.1	122.35
1963	52,111	6.8	11.35	2,973	3.3	122.04
1964	56,171	7.8	11.43	3,116	4.8	121.15
1965	59,855	6.6	11.25	3,242	4.0	117.89
1966	64,913	8.5	11.21	3,447	6.3	116.33
1967	69,540	7.1	11.22	3,627	1.1	115.44
1968	76,114	9.5	11.23	3,917	8.0	115.17
1969	82,828	8.8	11.22	4,195	7.1	114.40
1970	88,553	6.9	11.16	4,423	5.4	113.61
1971	94,206	6.4	11.06	4,648	5.1	112.49
1972	102,539	8.8	10.96	5,015	7.9	111.62
1973	112,641	9.9	10.78	5,449	8.7	109.40
1974	125,579	11.5	10.95	6,004	10.2	110.61
1975	139,481	11.1	11.11	6,574	9.5	112.17
1976	155,586	11.5	11.26	7,222	9.9	112.81
1977	174,543	12.2	11.40	7,975	10.4	113.23
1978	198,595	13.8	11.56	8,900	11.6	113.32
1979	228,017	14.8	11.85	10,045	12.9	114.50
1980 [b]	256,811	12.6	12.10	11,106	10.6	116.00

[a] Per capita figures derived using population estimates of the California Department of Finance.
[b] Estimated.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 13

PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1960–80

(In millions)

Year	Total Personal Income [a]	Wages and salaries	Other labor income	Proprietorship		Property income	Transfer payments	Less: Contributions for social insurance	Residence adjustment
				Farm	Other				
1960	$43,020	$29,048	$1,101	$864	$4,176	$5,912	$3,072	$1,085	—$69
1961	45,379	30,619	1,196	783	4,342	6,140	3,529	1,171	—60
1962	48,802	33,053	1,342	867	4,538	6,603	3,728	1,276	—63
1963	52,111	35,434	1,514	810	4,684	7,118	4,085	1,478	—56
1964	56,171	37,991	1,734	930	5,092	7,651	4,420	1,591	—57
1965	59,855	40,385	1,918	880	5,311	8,210	4,872	1,711	—11
1966	64,913	44,552	2,126	945	5,514	8,672	5,343	2,227	—11
1967	69,540	47,700	2,278	870	5,744	9,118	6,363	2,525	—9
1968	76,114	52,264	2,621	1,034	6,175	9,642	7,170	2,785	—7
1969	82,828	57,158	2,984	951	6,337	10,507	8,064	3,157	—16
1970	88,553	60,267	3,331	897	6,152	11,534	9,746	3,365	—9
1971	94,206	63,149	3,621	1,026	6,300	12,375	11,311	3,571	—5
1972	102,539	68,987	4,196	1,274	6,926	13,018	12,255	4,114	—3
1973	112,641	75,726	4,849	2,070	7,243	14,222	13,594	5,064	1
1974	125,579	83,150	5,591	2,374	7,094	16,580	16,107	5,336	19
1975	139,481	89,421	6,725	2,080	7,705	19,012	20,170	5,746	112
1976	155,586	99,150	8,058	2,085	9,359	21,035	22,325	6,584	158
1977	174,543	111,225	9,822	2,139	10,999	23,638	23,984	7,323	59
1978	198,595	126,668	11,619	2,632	12,141	28,105	25,837	8,452	44
1979	228,017	144,541	13,607	3,277	14,385	33,323	28,595	9,747	36
1980 [b]	256,811	160,209	15,479	3,434	15,639	39,481	33,380	10,854	43

[a] Detail may not add to total because of rounding.
[b] Estimated.
Source: U.S. Department of Commerce, Bureau of Economic Analysis and California Department of Finance.

TABLE 14

DISPOSABLE PERSONAL INCOME, CALIFORNIA, 1960–79

	Totals in millions			Percent Change	Disposable income per capita	Percent Change
	Personal Income	Less: Income Taxes	Income [a]			
1960	$43,020	$5,717	$37,303	4.6	$2,352	0.9
1961	45,379	6,054	39,325	5.4	2,396	1.9
1962	48,802	6,637	42,165	7.2	2,487	3.8
1963	52,111	7,025	45,086	6.9	2,572	3.4
1964	56,171	6,729	49,442	9.7	2,743	6.6
1965	59,855	7,165	52,690	6.6	2,854	4.0
1966	64,913	8,205	56,708	7.6	3,011	5.5
1967	69,540	9,196	60,344	6.4	3,147	4.5
1968	76,114	10,979	65,135	7.9	3,359	6.7
1969	82,828	12,770	70,058	7.6	3,554	5.8
1970	88,553	12,486	76,067	8.6	3,799	6.9
1971	94,206	12,384	81,822	7.6	4,036	6.2
1972	102,539	15,499	87,040	6.4	4,263	5.6
1973	112,641	16,035	96,606	11.0	4,681	9.8
1974	125,579	18,183	107,396	11.2	5,144	9.9
1975	139,481	18,598	120,883	12.6	5,703	10.9
1976	155,586	22,293	133,293	10.3	6,193	8.6
1977	174,543	25,991	148,552	11.4	6,787	9.6
1978	198,595	30,645	167,950	13.1	7,527	10.9
1979	228,017	35,543	192,474	14.6	8,481	12.7

[a] Personal income less Federal and State income taxes. This is slightly different from the concept of disposable income in the national income accounts, where the tax deduction includes amounts paid under such other personal tax levies as those on inheritance, estates, gifts, personal property and driver permits.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 15

INDUSTRIAL SOURCES OF EARNINGS, CALIFORNIA AND UNITED STATES, 1977–79

(In percent)

Industry	California			United States		
	1977	1978	1979	1977	1978	1979
Total [a]	100.0	100.0	100.0	100.0	100.0	100.0
Farming	2.9	2.8	2.9	2.2	2.5	2.8
Mining	0.6	0.6	0.6	1.5	1.6	1.7
Construction	5.7	5.8	6.0	5.9	6.1	6.1
Manufacturing	21.9	21.4	21.7	26.2	26.2	26.0
Transportation, communication, and public utilities	7.2	7.3	7.2	7.6	7.6	7.7
Trade	17.0	17.1	17.0	16.6	16.5	16.5
Finance, insurance, real estate	6.2	6.4	6.6	5.7	5.8	5.5
Services	19.5	19.9	20.2	16.7	16.8	17.0
Government	19.1	18.0	16.8	17.2	16.6	15.9
Other [b]	0.7	0.8	0.8	0.4	0.4	0.4

[a] Consists of wage and salary disbursements, other labor income and proprietors' income. Detail may not add to total due to rounding.

[b] Agricultural services, forestry, fisheries and other.

Source: Computed by California Department of Finance from data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 16

NUMBER OF PERSONAL INCOME TAX RETURNS, ADJUSTED GROSS INCOME, TAXABLE INCOME, AND TAX ASSESSED, 1960–78

(Income in thousands)

Income Year [a]	Number of returns	Adjusted gross income	Taxable income	Tax assessed
1960	4,239,099	$31,234,015	$13,337,516	$256,450,535
1961	4,454,831	33,581,594	14,624,977	290,676,930
1962	4,558,688	35,878,383	15,833,652	304,396,656
1963	4,851,770	38,835,003	17,382,196	338,006,936
1964	4,981,588	42,133,398	19,411,712	391,744,625
1965	5,167,529	45,234,006	21,088,900	432,886,449
1966	5,445,732	48,692,542	23,442,015	478,765,378
1967	5,449,456	52,827,614	43,252,693	947,644,969
1968	5,334,038	56,636,453	44,663,419	1,061,700,536
1969	5,586,849	60,874,377	47,983,889	1,088,914,303
1970	5,554,362	63,189,993	49,434,451	1,212,386,611
1971	5,690,817	67,784,603	52,618,643	1,132,505,000
1972	6,972,468	78,371,548	60,904,375	1,691,312,440
1973	7,490,292	85,533,832	66,863,680	1,536,631,357
1974	7,929,997	93,727,065	73,916,530	2,360,763,630
1975	8,124,290	101,597,846	80,476,280	2,758,812,903
1976	8,620,249	115,605,336	91,731,547	3,359,556,988
1977	8,989,797	132,780,576	105,756,245	4,224,600,738
1978	9,448,710	149,103,645	119,658,733	4,174,010,707

[a] Changes in the Personal Income Tax Law effective with returns for the 1967 income year make prior year information not comparable.

Source: California Franchise Tax Board.

TABLE 17

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1978 INCOME YEAR

County	All returns—taxable and nontaxable			Joint returns		
	Number of returns	Adjusted gross income (thousands)	Median income	Number of returns	Median income	Tax assessed (thousands)
Totals	8,916,268	$142,330,149	$12,174	4,333,363	$19,916	$4,015,178
Alameda	438,584	7,153,286	13,137	194,261	22,572	197,770
Alpine	155	2,225	12,833	88	17,500	43
Amador	6,865	102,672	12,708	4,405	16,997	2,289
Butte	46,899	608,031	9,747	25,807	15,503	13,523
Calaveras	6,706	93,838	11,377	4,253	15,774	1,925
Colusa	4,668	69,863	11,005	2,797	15,345	2,200
Contra Costa	245,059	4,753,686	16,047	131,665	24,841	143,740
Del Norte	5,931	77,082	11,065	3,508	16,317	1,708
El Dorado	27,462	395,155	10,787	15,340	17,432	7,730
Fresno	168,451	2,514,051	11,044	92,263	17,412	66,706
Glenn	7,212	95,578	10,684	4,343	15,203	2,248
Humboldt	39,407	567,489	11,401	20,562	18,452	14,371
Imperial	28,298	373,432	9,947	17,057	13,239	8,936
Inyo	6,685	94,160	11,507	3,865	17,394	2,102
Kern	124,737	1,918,267	12,042	72,822	18,122	50,873
Kings	19,459	272,112	11,038	12,063	15,389	6,448
Lake	11,011	136,184	9,493	6,820	13,352	2,506
Lassen	6,845	94,376	11,831	4,179	16,743	1,839
Los Angeles	2,818,618	45,236,633	11,430	1,241,422	20,046	1,344,885
Madera	17,382	244,045	11,230	11,025	15,765	5,711
Marin	92,712	1,961,996	14,945	40,832	26,862	76,969
Mariposa	3,424	42,633	9,582	1,962	14,471	788
Mendocino	23,128	326,836	11,367	12,923	17,081	7,714
Merced	40,080	509,714	9,765	23,277	14,694	11,233
Modoc	2,499	30,324	10,672	1,625	14,336	566
Mono	3,034	38,075	8,596	1,288	16,944	877
Monterey	91,862	1,416,386	11,341	47,493	18,063	39,317
Napa	34,050	569,214	13,195	18,518	20,803	14,917
Nevada	15,684	219,730	10,836	9,210	16,055	4,846
Orange	748,448	13,139,281	13,253	374,228	22,707	370,270
Placer	42,386	666,416	12,791	24,742	19,768	15,360
Plumas	5,950	82,379	11,648	3,591	16,854	1,686
Riverside	213,071	3,209,445	11,396	121,892	17,269	77,214
Sacramento	286,735	4,450,451	12,421	144,171	20,340	112,311
San Benito	8,159	112,631	10,364	4,573	16,142	2,808
San Bernardino	274,516	4,182,500	12,507	157,187	18,916	91,272
San Diego	639,140	9,598,177	11,149	324,217	18,563	246,039
San Francisco	317,973	4,763,919	10,849	95,020	19,245	168,806
San Joaquin	116,250	1,774,789	12,008	64,310	18,660	46,966
San Luis Obispo	51,641	711,000	10,496	27,377	17,136	16,139

TABLE 17—Continued

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1978 INCOME YEAR

County	All returns—taxable and nontaxable			Joint returns		
	Number of returns	Adjusted gross income (thousands)	Median income	Number of returns	Median income	Tax assessed (thousands)
San Mateo	245,782	4,736,337	14,773	115,647	24,780	159,823
Santa Barbara	111,110	1,763,569	11,151	53,436	19,695	50,628
Santa Clara	514,601	9,229,568	14,253	247,119	24,236	272,798
Santa Cruz	71,314	1,030,125	10,348	33,625	18,621	26,239
Shasta	38,193	562,554	11,815	23,272	18,317	12,869
Sierra	1,022	13,594	11,077	593	15,870	268
Siskiyou	13,912	194,431	12,028	8,615	16,493	4,339
Solano	74,573	1,206,081	13,987	43,100	20,649	27,496
Sonoma	107,334	1,665,219	12,191	56,336	19,585	42,398
Stanislaus	90,067	1,306,350	11,012	50,612	17,145	33,010
Sutter	17,192	254,331	10,973	10,154	16,834	6,736
Tehama	11,584	157,292	11,330	7,122	15,932	3,384
Trinity	3,440	44,732	10,770	2,174	15,207	845
Tulare	68,974	989,025	10,490	42,016	15,049	22,739
Tuolumne	11,985	166,344	11,257	7,059	16,564	3,609
Ventura	179,011	3,021,196	13,371	102,162	20,951	74,757
Yolo	40,757	590,540	10,619	20,216	19,026	16,795
Yuba	14,078	173,542	9,519	8,488	13,601	3,454
Unallocated [a]	26,199	222,238	5,691	8,728	9,640	3,998
Resident out-of-state [b]	68,244	978,480	8,878	30,002	15,187	31,358
Nonresident	165,720	1,416,540	5,465	95,406	7,845	33,984

[a] Unable to determine county of residence from tax returns.
[b] Resident returns filed with out-of-state address.
Source: California Franchise Tax Board.

TABLE 18

CONSUMER PRICE INDEX, UNITED STATES, CALIFORNIA, LOS ANGELES, SAN FRANCISCO, AND SAN DIEGO, 1960–80

(1967 = 100)

Year and month	United States	California [b]	Los Angeles-Long Beach [c]	San Francisco-Oakland [d]	San Diego [e]
Urban Wage Earners and Clerical Workers (Old Series)					
1960	88.7	88.2	88.5	87.9	.....
1961	89.6	89.3	89.6	88.9	.....
1962	90.6	90.5	90.6	90.3	.....
1963	91.7	91.9	92.0	91.5	.....
1964	92.9	93.5	93.7	92.9	.....
1965	94.5	95.4	95.7	94.7	95.2
1966	97.2	97.3	97.5	97.1	97.1
1967	100.0	100.0	100.0	100.0	100.0
1968	104.2	104.1	103.9	104.5	104.1
1969	109.8	109.3	108.8	110.2	109.5
1970	116.3	114.9	114.3	115.8	115.3
1971	121.3	119.1	118.5	120.1	119.8
1972	125.3	123.1	122.3	124.3	124.4
1973	133.1	130.2	129.2	131.5	132.5
1974	147.7	143.5	142.5	144.4	147.2
1975	161.2	158.5	157.6	159.1	160.8
1976	170.5	168.2	168.0	168.0	170.7
1977	181.5	180.2	179.6	180.8	180.9
All Urban Consumers					
1978	195.4	194.8	192.8	197.8	200.1
1979	217.4	215.9	213.7	214.6	233.1
1980	246.8	249.4	247.3	247.3	268.5
Revised Urban Wage Earners and Clerical Workers					
1978	195.3	194.3	192.5	197.4	199.5
1979	217.7	216.2	215.1	214.7	230.4
1980	247.0	250.6	250.2	247.2	264.6

[a] A new Consumer Price Index for All Urban Consumers and a revised CPI for Urban Wage Earners and Clerical Workers were introduced January 1978. These series tie to the historical unrevised Urban Wage Earners and Clerical Workers CPI.

[b] Computed by the Department of Industrial Relations, Division of Labor Statistics and Research, as a weighted average of the indexes for the Los Angeles-Long Beach, San Francisco-Oakland, and San Diego metropolitan areas.

[c] Los Angeles and Orange Counties.

[d] Alameda, Contra Costa, Marin, San Francisco, San Mateo and Solano Counties.

[e] San Diego County.

Source: U.S. Department of Labor, Bureau of Labor Statistics and California Department of Industrial Relations.

TABLE 19

CALIFORNIA CASH FARM RECEIPTS, PRODUCTION EXPENSE, AND INCOME, 1960–79

(In millions)

Year	Cash receipts [a]	Production expenses	Net money income	Non-money income [b]	Realized net income [c]
1960	3,271.1	2,475.5	795.6	134.2	929.9
1961	3,317.0	2,577.0	740.0	145.6	885.6
1962	3,484.8	2,758.2	726.6	143.0	869.5
1963	3,582.6	2,820.7	761.9	145.8	907.6
1964	3,747.4	2,841.8	905.6	148.9	1,054.4
1965	3,803.1	3,043.1	760.0	154.2	914.1
1966	4,187.6	3,211.8	975.8	155.5	1,131.3
1967	4,095.9	3,296.9	799.0	150.1	949.1
1968	4,452.3	3,474.4	977.9	151.0	1,128.9
1969	4,656.3	3,660.9	995.4	154.1	1,149.4
1970	4,714.3	3,849.2	865.1	144.7	1,009.8
1971	5,202.4	4,246.7	955.7	154.9	1,110.5
1972	5,700.2	4,398.1	1,302.1	156.1	1,458.3
1973	7,412.7	5,284.3	2,128.4	164.4	2,292.9
1974	8,727.1	6,318.7	2,408.4	207.3	2,615.7
1975	8,632.7	6,523.0	2,109.7	245.6	2,355.3
1976	9,223.0	6,951.9	2,271.1	250.5	2,521.6
1977	9,625.7	8,005.0	1,620.7	231.9	1,852.6
1978	10,773.5	8,457.5	2,316.0	247.0	2,563.0
1979	12,965.7	9,933.2	3,032.5	283.7	3,316.2

[a] Receipts from marketings plus government payments and other farm income.
[b] Value of home consumption and gross rental value of farm dwellings.
[c] Net money income plus non money income.
Source: California Department of Food and Agriculture.

TABLE 20

CALIFORNIA CASH FARM RECEIPTS, ALL CROPS, LIVESTOCK AND POULTRY, MISCELLANEOUS, AND GOVERNMENT PAYMENTS, 1960–79

(In millions)

Year	Total [a]	All crops [b]	Livestock and poultry	Miscellaneous	Government payments
1960	3,244	1,864	1,246	112	22
1961	3,291	1,866	1,278	119	28
1962	3,457	1,949	1,344	132	32
1963	3,552	2,031	1,350	139	32
1964	3,712	2,204	1,309	165	34
1965	3,763	2,125	1,427	170	41
1966	4,146	2,295	1,565	182	104
1967	4,048	2,186	1,564	188	110
1968	4,401	2,483	1,621	196	101
1969	4,602	2,494	1,768	217	123
1970	4,662	2,481	1,815	234	132
1971	5,140	2,732	2,049	246	113
1972	5,636	3,133	2,089	291	122
1973	7,334	4,298	2,565	365	106
1974	8,632	5,407	2,786	421	18
1975	8,513	5,224	2,803	470	16
1976	9,091	5,606	2,923	549	13
1977	9,437	5,826	2,948	588	75
1978	10,568	6,500	3,380	631	57
1979	12,708	7,660	4,185	802	61

[a] Receipts from marketings plus government payments.
[b] Miscellaneous, primarily ornamentals, not included.
Source: California Department of Food and Agriculture

TABLE 21
CALIFORNIA CASH FARM RECEIPTS FROM CROPS, 1960–79
(In millions)

Year	All crops [a]	Fruit and nut	Vegetables	Field crops
1960	1,864	586	448	830
1961	1,866	587	475	804
1962	1,949	601	522	826
1963	2,031	647	505	879
1964	2,204	724	563	917
1965	2,125	631	594	900
1966	2,295	712	690	893
1967	2,186	666	713	807
1968	2,483	786	855	842
1969	2,494	848	782	864
1970	2,481	825	767	889
1971	2,732	938	912	882
1972	3,133	1,016	1,047	1,070
1973	4,298	1,564	1,185	1,549
1974	5,407	1,507	1,481	2,419
1975	5,224	1,511	1,640	2,074
1976	5,606	1,606	1,552	2,448
1977	5,825	1,914	1,929	1,982
1978	6,500	2,306	2,092	2,102
1979	7,659	2,920	2,232	2,507

[a] Miscellaneous, primarily ornamentals, not included.
Source: California Department of Food and Agriculture

TABLE 22

AGRICULTURAL EMPLOYMENT IN CALIFORNIA, 1960–80

Year	Total Employment [a]		Hired Domestic Workers		
			Year-Round [c]	Temporary [b]	
	Lowest	Highest		Lower	Highest
1960	271,500	404,400	93,500	49,200	141,300
1961	264,700	416,000	92,000	56,800	165,600
1962	261,100	424,800	93,700	60,400	158,000
1963	255,800	404,100	93,500	60,800	158,900
1964	255,200	411,800	90,900	63,800	161,200
1965	251,100	361,900	90,300	73,300	167,000
1966	254,700	362,200	90,800	77,900	173,000
1967	248,100	373,600	92,200	77,350	190,900
1968	250,400	357,900	93,200	79,700	176,900
1969	245,100	369,500	94,900	77,300	187,600
1970	240,400	362,500	97,100	72,700	182,000
1971	243,000	363,600	96,200	75,100	184,400
1972	230,900	332,800	95,900	66,100	155,100
1973	221,000	359,100	96,500	62,200	183,000
1974	233,200	365,900	97,900	70,500	188,200
1975	219,300	382,300	99,200	60,000	204,200
1976	227,300	375,600	100,500	71,100	191,600
1977	235,100	380,500	102,100	71,300	195,600
1978	228,400	353,000	102,400	74,600	167,100
1979	232,300	347,000	103,100	74,400	169,400
1980	224,600	356,100	104,600	82,600	172,400

[a] Includes growers and family workers, hired domestic workers, and foreign contract workers. Based upon the lowest and highest month of the year. March is usually the month of lowest employment; September is the month of highest employment.

[b] Maximum usage.

[c] Annual average.

Source: California Employment Development Department.

TABLE 23

CORPORATE PROFITS FROM CALIFORNIA OPERATIONS, 1960–1978

Year [b]	Number of corporations [a]				Net profits (in millions)		
	Total	With net income	With net loss	No income or loss	Total	Net income [c]	Net loss [d]
1960	101,081	56,987	28,843	15,351	3,517	4,182	−665
1961	105,645	59,746	31,802	14,097	3,718	4,509	−792
1962	110,294	63,400	31,954	14,940	3,970	4,754	−784
1963	114,667	66,496	33,667	14,504	4,283	5,092	−809
1964	118,860	69,555	34,254	15,051	4,626	5,526	−900
1965	122,399	71,484	35,625	15,290	5,126	6,007	−881
1966	124,690	73,076	35,664	15,950	5,643	6,638	−995
1967	125,677	73,433	38,188	14,056	5,252	6,456	−1,203
1968	128,505	77,238	36,754	14,513	6,003	7,255	−1,251
1969	136,695	80,348	38,627	17,720	5,643	7,477	−1,834
1970	145,352	81,340	44,318	19,694	4,386	6,711	−2,326
1971	151,216	83,664	47,621	19,931	4,804	7,249	−2,445
1972	158,932	91,055	47,214	20,663	6,465	8,561	−2,096
1973	165,676	97,377	46,937	21,362	7,911	10,208	−2,296
1974	172,185	102,680	49,962	19,543	8,978	11,734	−2,757
1975	177,665	106,213	53,965	17,487	8,362	11,672	−3,309
1976	184,326	113,614	54,249	16,463	11,916	14,808	−2,892
1977	200,393	124,175	57,949	18,269	14,941	17,830	−2,889
1978	221,527	138,495	63,725	19,307	18,728	21,974	−3,246

[a] Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205 corporations, or 0.5 percent of the total.

[b] Includes corporations with fiscal years ending in the calendar year shown.

[c] Net profits of all corporations reporting net income.

[d] Net profits of all corporations reporting net loss.

Source: California Franchise Tax Board.

TABLE 24

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1977 AND 1978

(Income in thousands)

Industry	Corporations reporting net income subject to state taxation			
	1977		1978	
	Number	Net income	Number	Net income
Total	124,175	$17,830,411	138,495	$21,974,367
Agriculture, forestry, and fishery	2,966	$283,159	3,241	$302,219
Mining	500	1,128,402	566	1,319,678
Crude petroleum and natural gas production	345	1,100,095	390	1,224,575
Other mining and quarrying	155	28,307	176	95,103
Construction	10,159	695,504	11,943	835,709
Manufacturing	16,733	6,332,586	18,394	7,596,091
Beverages, food, and kindred products	1,045	775,028	1,080	832,495
Textile mill products	149	48,288	164	59,986
Apparel and products made from fabric	995	188,009	1,120	232,729
Wood products, except furniture	699	315,277	788	405,422
Furniture and fixtures	613	64,755	661	77,785
Paper and allied products	240	144,308	253	136,150
Printing, publishing, and allied industries	1,735	379,501	1,931	453,978
Chemicals and allied products	1,402	590,705	1,457	722,147
Petroleum and coal products	79	168,958	84	140,161
Rubber products	223	55,584	251	49,469
Stone, clay, and glass products	487	147,012	545	247,954
Primary metals	286	131,438	315	207,293
Electrical machinery and equipment	1,604	1,203,299	1,808	1,410,709
Transportation equipment	777	893,629	864	1,124,206
Other equipment	1,781	331,315	1,941	486,556
Precision equipment	495	272,982	501	294,369
Other fabricated metal products	2,839	496,966	3,125	563,197
Other manufacturings	1,284	125,532	1,506	151,485
Services	34,500	1,211,390	39,783	1,661,703
Motion picture production	1,564	154,937	1,810	190,924
Amusement services	1,770	77,326	2,088	115,840
Personal services	1,429	46,620	1,549	64,983
Business services	10,582	491,366	11,989	688,301
Professional services	10,965	110,449	12,992	138,537
Other services	8,190	330,692	9,355	463,118
Trade	36,253	3,657,485	39,011	4,455,762
Retail trade	20,577	1,780,924	22,126	2,234,563
Wholesale trade	15,676	1,876,561	16,885	2,221,199

TABLE 24—Continued

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1977 AND 1978

(Income in thousands)

Industry	Corporations reporting net income subject to state taxation			
	1977		1978	
	Number	Net income	Number	Net income
Finance, insurance, and real estate	19,904	3,190,268	22,103	3,942,415
Banks	219	900,261	256	1,180,294
Savings and loan associations	150	878,818	149	807,778
Other financials	586	185,033	579	450,157
Real estate companies	14,367	848,788	16,264	1,069,813
Investment and insurance companies	4,601	339,506	4,855	434,373
Utilities	3,160	1,331,618	3,454	1,860,791
Transportation	2,162	359,050	2,354	388,241
Communications	77	590,198	83	785,585
Radio and television industries	206	153,015	234	177,647
Electric and gas utilities	13	176,131	18	441,003
Other public utilities	702	53,224	765	68,315

Source: California Franchise Tax Board.

TABLE 25

CALIFORNIA BUILDING PERMIT ACTIVITY: NONRESIDENTIAL VALUATION BY SELECTED TYPES OF CONSTRUCTION, 1963–80

(In thousands of dollars)

Year	Commercial	Industrial	Other	Additions and alterations	Total
1963	734,878	198,931	708,507	280,022	1,922,338
1964	749,998	184,848	805,451	261,022	2,001,319
1965	845,484	207,852	656,462	286,493	1,996,291
1966	830,001	255,346	706,453	307,765	2,099,565
1967	728,519	283,612	601,314	268,145	1,881,590
1968	869,435	367,024	651,449	271,259	2,159,167
1969	1,016,926	395,696	666,768	452,099	2,531,489
1970	1,089,054	288,075	674,969	491,667	2,543,765
1971	1,401,365	326,050	978,579	263,473	2,969,467
1972	1,437,510	464,701	865,305	281,118	3,048,634
1973	1,349,104	717,549	826,826	337,155	3,230,634
1974	1,260,016	736,531	902,675	359,503	3,258,725
1975	1,296,131	491,033	952,261	366,795	3,106,220
1976	1,327,749	629,516	1,067,335	443,049	3,467,650
1977	1,890,490	1,093,684	1,229,912	498,550	4,712,637
1978	2,477,637	1,556,132	1,318,665	605,994	5,958,428
1979	3,376,378	1,812,479	1,382,900	720,764	7,292,520
1980	3,271,622	1,273,627	1,197,109	1,715,429	7,457,786

Source: Security Pacific National Bank.

TABLE 26

PRIVATE RESIDENTIAL HOUSING UNITS AUTHORIZED BY PERMITS, CALIFORNIA, 1963–80

Year	Single	Multiple	Total	Additions and alterations	Total Residential Valuation (Thousands)
1963	131,546	190,472	322,018	146,327	$4,066,052
1964	113,425	155,430	268,855	154,232	3,739,766
1965	95,690	82,426	178,116	151,115	2,909,507
1966	65,406	33,969	99,375	152,353	1,924,916
1967	68,418	43,581	111,999	150,606	2,107,346
1968	86,957	73,022	159,979	144,985	2,835,713
1969	80,135	104,211	184,346	141,269	3,148,412
1970	71,344	124,348	195,692	137,217	3,172,378
1971	113,260	143,729	256,989	148,697	4,525,116
1972	124,064	155,606	279,670	148,365	5,383,503
1973	102,571	113,508	216,079	157,021	4,878,985
1974	76,204	51,460	127,664	173,070	3,687,323
1975	89,823	41,064	130,887	185,232	4,540,861
1976	140,293	80,624	220,917	200,312	8,023,475
1977	174,874	94,772	269,646	215,430	10,494,411
1978	141,537	101,599	243,136	216,343	10,603,698
1979	127,514	82,051	209,565	203,715	10,790,986
1980	86,603	57,007	143,610	190,401	9,085,177

Source: Security Pacific National Bank

TABLE 27

TAXABLE TRANSACTIONS IN CALIFORNIA AND OUTSTANDING SALES TAX PERMITS, BY TYPE OF OUTLET, 1960–80

Calendar Year	TAXABLE TRANSACTIONS		SALES TAX PERMITS OUTSTANDING [a]			
	All Outlets (In millions)	Retail Stores (In millions)	Total	Retail [b] Stores	Personal Service Shops	Other [c]
1960	$23,361	$15,645	346,706	150,512	58,997	137,197
1961	23,987	16,077	351,540	148,899	59,516	143,125
1962	25,969	17,522	355,403	151,769	57,591	146,043
1963	27,892	18,893	362,614	154,517	57,105	150,992
1964	30,265	20,550	372,387	157,344	56,749	158,294
1965	31,908	21,516	381,203	161,109	56,002	164,092
1966	34,236	22,624	389,867	163,087	55,326	171,454
1967	35,122	23,512	392,705	163,821	54,624	174,260
1968	39,007	26,168	401,980	165,285	54,993	181,702
1969	42,378	28,254	411,375	167,887	55,066	188,422
1970	43,223	28,699	426,766	171,094	56,173	199,499
1971	46,815	31,496	440,935	173,343	57,359	210,233
1972	53,714	36,518	459,616	177,261	58,815	233,540
1973	61,738	42,119	474,733	180,330	59,943	234,460
1974	68,071	45,797	492,937	182,570	60,918	249,449
1975	73,476	49,800	520,499	187,399	62,951	270,149
1976	83,822	57,343	552,162	193,925	65,868	292,369
1977	99,482	67,491	583,704	200,452	69,271	313,981
1978	113,468	76,366	611,397	206,951	72,003	332,443
1979	131,678	87,270	642,152	212,804	75,185	354,163
1980	143,100 [d]	94,400 [d]	673,679	218,945	78,272	376,462

[a] Permits as of July 1.
[b] Exclusive of itinerant and mail-order vendors.
[c] Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors.
[d] Estimated.
Source: California State Board of Equalization.

TABLE 28

TAXABLE TRANSACTIONS IN CALIFORNIA BY TYPE OF BUSINESS

1975–80

(Amounts in millions)

	1975	1976	1977	1978	1979	1980 [a]
Total, all outlets	$73,476	$83,822	$99,481	$113,875	$131,678	$143,300
Retail stores	49,800	57,343	67,490	76,765	87,270	94,580
Apparel stores	2,691	2,980	3,398	3,925	4,327	4,745
General merchandise and drug stores [b]	9,147	10,117	11,326	12,615	13,702	14,760
Specialty stores	4,380	4,975	5,934	6,880	8,062	9,125
Grocery stores [c]	4,681	6,242	5,767	6,575	7,555	8,540
Liquor stores	1,398	1,485	1,623	1,780	1,888	2,005
Eating and drinking places	6,099	6,895	7,842	9,200	10,333	11,315
Home furnishings and appliance stores	2,222	2,661	3,232	3,725	4,293	4,325
Farm and garden	1,128	1,284	1,445	1,630	2,124	2,245
Building materials	2,753	3,475	4,530	5,305	6,216	6,180
New car dealers	6,515	7,925	9,999	11,991	11,991	11,015
Automotive group	8,786	10,304	12,394	13,520	16,779	20,325
Other						
Business and personal services	2,690	3,087	3,564	4,135	4,748	5,230
All other outlets	20,936	23,391	28,427	32,975	39,660	43,490

[a] Estimated.
[b] Excludes exempt sales of prescription medicines.
[c] Excludes exempt sales of food for home consumption.
Source: Department of Finance.

TABLE 29

DEMAND AND TIME DEPOSITS, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–80

(Amounts in millions)

Year [a]	Demand Deposits	Time Deposits
1960	12,954	11,385
1961	14,232	12,851
1962	14,426	14,593
1963	14,939	16,042
1964	15,683	17,983
1965	15,232	20,109
1966	15,671	21,614
1967	17,492	23,762
1968	19,003	26,418
1969	19,989	23,513
1970	20,713	28,636
1971	22,463	33,699
1972	26,607	37,461
1973	28,060	42,789
1974	27,916	51,268
1975	30,682	54,635
1976	32,126	56,776
1977	37,518	63,497
1978	38,636	71,857
1979	44,983	77,048
1980 [b]	45,084	89,779

[a] As of December call reports, not seasonally adjusted.
[b] Estimated.
Source: Federal Reserve Bank of San Francisco.

TABLE 30

GROSS LOANS BY MAJOR CATEGORIES, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–80

(Amounts in millions)

Year [a]	Real estate loans	Commercial and industrial loans	Agricultural loans	Loans to individuals	Other	Total
1960	5,181	4,762	509	2,648	1,223	14,323
1961	5,358	5,122	592	2,769	1,313	15,154
1962	6,153	5,668	636	3,151	1,697	17,305
1963	7,027	6,009	716	3,634	2,376	19,762
1964	7,512	7,081	659	4,208	2,594	22,056
1965	7,974	8,284	748	4,686	2,661	24,353
1966	8,268	9,318	776	4,924	2,665	25,951
1967	8,485	10,112	803	5,126	2,697	27,223
1968	9,230	11,631	823	5,793	3,447	30,924
1969	9,545	12,276	866	6,045	3,706	32,439
1970	9,592	12,965	855	5,903	3,147	32,463
1971	10,871	13,682	990	6,659	4,193	36,395
1972	12,784	15,145	1,255	7,808	6,034	43,027
1973	15,607	18,831	1,559	8,846	7,056	51,899
1974	17,063	21,334	1,584	9,363	7,589	56,934
1975	16,724	20,156	1,614	10,024	7,122	55,640
1976	18,433	19,475	1,860	11,616	8,136	59,520
1977	23,651	21,661	1,990	14,633	8,473	70,408
1978	30,806	24,573	2,284	18,208	9,981	85,852
1979	39,088	30,260	2,655	22,080	9,217	103,300
1980 [b]	46,210	32,793	3,050	21,000	8,826	111,879

Note: Individual figures may not add to totals due to rounding.
[a] As of December call reports (domestic) except as noted.
[b] Estimated.
Source: Federal Reserve Bank of San Francisco.

TABLE 31

MORTGAGE LOANS AND SAVINGS CAPITAL, CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS,[a] 1960–80

(Amounts in Millions)

Year	Yearend Mortgage Loans Outstanding	Mortgage Loans Closed During the Year	Yearend Savings Capital	Net New Savings During the Year[b]
1960	$9,141	$2,955	$8,885	N.A.
1961	11,241	4,147	10,778	N.A.
1962	13,941	5,590	13,339	N.A.
1963	17,677	7,691	16,536	N.A.
1964	20,529	7,137	19,300	N.A.
1965	22,176	5,825	20,993	N.A.
1966	22,477	2,953	21,215	(610)
1967	23,558	3,641	23,469	1,360
1968	25,154	3,914	24,283	(122)
1969	26,780	3,845	23,889	(1,395)
1970	28,250	3,517	25,040	115
1971	31,907	6,576	30,054	3,776
1972	37,199	8,809	35,660	4,114
1973	41,113	7,735	37,836	476
1974	43,758	6,413	39,359	(349)
1975	49,100	10,689	47,147	5,565
1976	58,553	17,903	57,102	7,218
1977	70,734	24,888	66,918	6,480
1978	80,765	24,391	74,896	4,180
1979	92,512	25,574	84,166	4,814
1980	98,205	16,071	89,693	106

[a] Insured (FSLIC) California Savings and Loan Associations that are members of the Federal Home Loan Bank of San Francisco. For the periods covered by this table, these associations have accounted for at least 99.5% of California savings and loan association assets. Since 1976 all California associations are included.

[b] New savings received less withdrawals excludes interest credited to savings accounts.

Source: Federal Home Loan Bank of San Francisco

TABLE 32

SELECTED DATA ON FEDERALLY CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–79 [a]

(Dollar amounts in thousands)

Year [b]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding
1960	1014	787,450	$383,723	$340,165	$313,245
1961	1056	852,214	441,302	393,828	347,402
1962	1081	927,654	511,824	453,316	409,969
1963	1106	1,015,808	601,294	533,445	473,297
1964	1128	1,102,380	699,250	618,385	550,150
1965	1142	1,192,932	785,707	693,993	636,454
1966	1185	1,309,746	861,285	753,300	718,046
1967	1209	1,407,640	946,456	834,393	768,772
1968	1225	1,492,051	1,055,097	923,136	883,881
1969	1255	1,585,602	1,191,712	1,034,749	1,024,828
1970	1249	1,181,164	1,360,754	1,181,164	1,109,716
1971	1225	1,746,653	1,626,494	1,436,952	1,267,686
1972	1232	1,871,287	1,928,350	1,715,276	1,471,791
1973	1239	2,045,500	2,272,202	1,987,138	1,758,048
1974	1230	2,282,543	2,737,187	2,367,268	2,106,113
1975	1208	2,445,115	3,403,739	2,994,889	2,498,064
1976	1189	2,683,441	4,185,397	3,668,616	3,150,913
1977	1164	2,995,904	5,374,256	4,613,661	4,119,205
1978	1143	3,421,378	6,374,125	5,408,209	5,110,916
1979	1108	3,682,794	6,616,630	5,737,523	4,994,833

[a] Regulated by the National Credit Union Administration.
[b] As of December 31st.
Source: California Department of Corporations.

TABLE 33

SELECTED DATA ON STATE CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–79

(Dollar amounts in thousands)

Year *	Number of credit unions	Number of members	Total assets	Shares and certificates for funds	Principal amount of loans made during year	Total loans outstanding	Real estate loans outstanding
1960	568	573,548	$304,885	$263,793	$216,094	$266,374	$41,676
1961	573	630,121	350,725	308,711	260,012	296,058	44,724
1962	578	575,287	396,343	343,890	307,088	340,125	47,736
1963	582	709,911	448,963	394,587	310,573	382,766	44,573
1964	597	788,816	513,302	449,214	390,513	437,040	53,971
1965	587	828,389	577,007	496,601	432,598	500,689	54,874
1966	623	889,636	639,154	549,351	493,207	568,782	64,561
1967	636	955,166	712,321	617,575	528,330	613,189	64,600
1968	626	1,006,190	795,758	684,727	611,491	696,891	83,837
1969	623	1,077,259	891,033	772,482	665,281	788,420	94,154
1970	631	1,139,372	998,764	868,721	687,634	858,839	101,161
1971	599	1,182,550	1,152,210	1,004,478	883,357	976,271	102,925
1972	590	1,248,463	1,330,711	1,160,215	936,483	1,105,569	110,489
1973	596	1,296,105	1,511,003	1,316,539	1,082,660	1,287,143	146,789
1974	591	1,312,193	1,615,949	1,420,664	1,129,137	1,396,985	185,955
1975	587	1,341,288	1,935,507	1,710,369	1,266,846	1,621,089	224,553
1976	576	1,503,437	2,232,994	2,057,351	1,741,868	1,991,402	297,474
1977	556	1,601,603	2,851,789	2,504,181	2,039,854	2,453,162	408,251
1978	534	1,678,279	3,261,776	2,842,131	2,127,802	2,903,915	607,752
1979	493	1,825,160	3,535,214	3,113,191	1,805,761	3,065,665	598,067

* As of December 31st.

Source: California Department of Corporations. Report of State Chartered Credit Unions.

TABLE 34

SELECTED DATA ON PERSONAL PROPERTY BROKERS IN CALIFORNIA, 1971–79 [a]

(Dollar amounts in thousands)

Year [b]	Number of loans made	Total principal amount of loans made	Consumer loans under $10,000 and commercial loans under $5,000		Consumer loans of $10,000 or more and commercial loans of $5,000 or more
			Secured by personal property	Secured by personal property and real property	
1971	1,170,013	$1,897,472	$1,153,541	$54,150	$689,781
1972	1,210,311	1,973,792	1,268,113	62,418	643,261
1973	1,202,884	2,424,236	1,344,871	90,028	989,337
1974	1,024,276	2,403,516	1,212,864	111,590	1,079,062
1975	883,047	2,234,827	1,114,707	156,257	963,863
1976	995,459	2,756,599	1,287,307	212,665	1,256,627
1977	1,073,690	3,047,796	1,393,534	224,676	1,429,586
1978	1,141,163	3,562,541	1,530,849	189,625	1,842,064
1979	1,097,742	5,265,756	1,416,252	174,048	3,675,456

[a] Personal property brokers are licensed lenders who are exempt from the usury law and who make loans secured by personal property or a combination of personal and real property.
[b] Data refers to loans made during each year.
Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 35

SELECTED DATA ON INDUSTRIAL LOAN COMPANIES IN CALIFORNIA, 1971–79 [a]

(Dollar amounts in thousands)

Year	Total asset [b]	Investment certificates [c]	Consumer loans		Commercial loans		Premium finance agencies	
			Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]
1971	$456,632	$307,393	170,330	$328,597 [d]	—	—	75,242	$66,540
1972	523,969	344,209	199,737	381,595 [d]	—	—	78,681	75,623
1973	542,939	381,150	189,278	358,728 [d]	—	—	79,893	80,971
1974	560,343	420,069	179,473	351,119	1,359	$17,987	81,645	86,655
1975	613,119	475,922	166,339	361,887	1,453	20,651	79,804	107,310
1976	687,399	537,212	202,104	428,453	25,467	106,897	19,057	43,303
1977	772,406	608,832	209,259	451,880	28,277	144,528	14,206	48,853
1978	875,928	678,918	209,884	509,688	30,320	175,828	17,849	63,160
1979	1,007,767	766,963	197,740	549,796	33,894	185,920	18,822	74,328

[a] Industrial loan companies are licensed lenders who are exempt from the usury law and who make unsecured and secured loans. This schedule does not include mortgage bankers licensed under the Industrial Loan Law.
[b] As of December 31st. Total assets restated to include thrift companies, non-thrift companies and premium finance agencies.
[c] Data refers to loans made during each year.
[d] Includes commercial loans.
Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 36

SUMMARY OF STATE TAX COLLECTIONS, 1960–82

(Excluding departmental, interest and miscellaneous revenue)

Fiscal year	State tax collections			Taxes per capita [a]			Taxes per $100 of personal income		
	General fund (thousands)	Special funds (thousands)	Total (thousands)	General fund	Special funds	Total	General fund	Special funds	Total
Cash Basis									
1960–61	$1,537,347	$656,815	$2,194,162	$95.26	$40.70	$135.96	$3.57	$1.53	$5.10
1961–62	1,645,300	669,267	2,314,567	98.63	40.12	138.75	3.63	1.47	5.10
1962–63	1,791,038	711,185	2,502,223	103.89	41.25	145.14	3.67	1.46	5.13
1963–64	2,057,962	813,937	2,871,900	115.76	45.78	161.54	3.95	1.56	5.51
1964–65	2,161,157	931,958	3,093,115	118.45	51.08	169.53	3.85	1.66	5.51
1965–66	2,398,958	971,625	3,370,582	128.64	52.10	180.75	4.01	1.62	5.63
1966–67	2,422,275	993,277	3,415,552	127.47	52.27	179.74	3.73	1.53	5.26
Accrual Basis [b]									
1966–67	2,746,888	1,091,387	3,838,275	144.55	57.43	201.98	4.23	1.68	5.91
1967–68	3,557,610	1,118,311	4,675,921	184.29	57.93	242.23	5.12	1.61	6.72
1968–69	3,962,520	1,210,229	5,172,748	202.29	61.78	264.08	5.21	1.59	6.80
1969–70	4,125,607	1,283,258	5,408,865	207.73	64.62	272.35	4.98	1.55	6.53
1970–71	4,290,263	1,308,350	5,598,613	212.66	64.85	277.52	4.84	1.48	6.32
1971–72	5,212,693	1,385,863	6,598,555	254.81	67.75	322.56	5.53	1.47	7.00
1972–73	5,758,266	1,470,905	7,229,171	277.92	70.99	348.92	5.62	1.43	7.05
1973–74	6,379,476	1,497,588	7,877,064	303.89	71.34	375.22	5.66	1.33	6.99
1974–75	8,045,039	1,529,459	9,574,497	377.19	71.71	448.90	6.41	1.22	7.62
1975–76	9,068,903	1,641,174	10,710,077	417.81	75.61	493.42	6.50	1.18	7.68
1976–77	10,780,867	1,744,013	12,524,880	487.67	78.89	566.56	6.93	1.12	8.05
1977–78	12,951,613	1,874,714	14,826,327	574.33	83.13	657.46	7.42	1.07	8.49
1978–79	14,187,549	2,013,879	16,201,427	616.74	87.54	704.29	7.14	1.01	8.16
1979–80	16,860,019	2,197,397	19,057,417	718.12	93.59	811.71	7.39	.96	8.36
1980–81 [c]	17,882,149	2,260,281	20,142,430	746.55	94.36	840.91	6.97	.88	7.85
1981–82 [c]	20,034,608	2,398,398	22,433,006	820.32	98.20	918.52	6.98	.83	7.81

[a] Taxes per capita computed on the basis of population January 1st, the midpoint of the fiscal year.
[b] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning in 1973–74, accounts receivable only are accrued.
[c] Estimated.
Data may not add due to rounding.
Source: California Department of Finance.

TABLE 37

COMPARATIVE YIELD OF STATE TAXES, 1960–82

(In thousands)

Year	Sales	Personal Income	Bank and Corporation*	Cigarette	Inheritance and Gift	Insurance	Distilled Spirits	Horse Racing	Beer and Wine	Motor Vehicle Fuel*	Motor Vehicle Fees
1960	$710,648	$246,540	$240,736	$64,805	$47,189	$61,530	$40,369	$36,288	$10,016	$336,786	$256,303
1961	711,352	259,103	272,718	66,024	76,803	66,745	41,274	37,260	9,704	350,801	264,842
1962	749,531	280,104	290,870	66,054	76,012	71,699	45,418	38,311	10,495	363,771	274,906
1963	813,465	292,052	311,251	70,194	92,432	77,970	48,152	41,663	10,659	386,218	298,356
1964	878,464	310,341	405,431	71,822	102,196	107,200	50,145	43,442	11,299	460,196	329,584
1965	928,942	331,194	416,247	74,477	114,464	96,199	53,915	47,560	12,422	542,822	353,607
1966	1,068,141	354,620	435,597	74,578	123,781	100,854	56,718	47,443	12,606	551,108	382,656
1967	1,170,174	380,180	463,292	76,597	114,413	107,186	59,564	49,311	13,751	548,287	405,061
1968	1,246,740	426,647	463,292	78,191	141,899	131,226	64,733	49,311	14,964	643,698	405,061
1969	1,484,812	462,467	576,874	219,272	135,564	121,155	81,700	54,799	13,196	580,487	437,918
1970	1,602,806	510,647	592,303	237,328	158,815	130,312	85,494	59,839	14,118	625,667	469,655
1971	1,722,471	564,251	667,013	236,878	164,299	136,733	89,793	58,244	16,115	668,537	498,992
1972	1,904,742	624,965	532,291	239,721	186,699	168,423	90,765	64,601	15,791	674,635	513,201
1973	2,098,444	698,618	662,622	247,424	220,192	170,179	94,717	69,380	17,374	712,426	547,844
1974	2,286,521	804,464	866,117	253,602	280,119	179,674	96,907	72,693	17,977	746,196	596,922
1975	2,475,164	911,964	1,067,191	258,921	231,834	201,697	100,554	78,289	18,758	742,702	644,448
1976	2,787,682	1,053,673	1,253,673	261,975	242,627	202,991	100,856	86,637	19,893	752,234	664,453
1977	3,143,123	1,193,381	1,286,515	268,610	316,648	241,224	104,897	96,117	20,616	766,555	749,936
1978	3,510,400	1,377,760	1,441,500	269,384	367,964	322,476	105,275	102,702	22,210	810,321	807,782
1979	3,938,818	1,611,487	2,362,278	233,656	365,092	387,560	109,088	111,591	22,972	850,181	924,411
1980	4,396,611	1,791,223	2,991,223	298,816	416,965	420,184	114,922	113,253	25,137	896,591	1,021,857
1981	4,870,000	2,070,000	2,570,000	286,043	466,611	446,228	112,757	127,635	26,183	852,751	1,096,640
1982	5,124,000	2,124,000	2,824,000	282,200	575,500	520,000	119,200	130,800	26,300	830,000	1,149,200
1983	5,335,000	2,335,000	3,077,000	289,000	541,500	665,000	122,000	137,880	27,500	827,000	1,281,126

*Beginning with 1973–74 amounts receivable only are accrued.

TABLE 38

ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES AND AVERAGE TAX RATE IN CALIFORNIA, 1960–1981

Year	Assessed value		Tax levies [a]		Average tax rate	
	Amount (in thousands)	Percent change from preceding year	Amount (in thousands)	Percent change from preceding year	Dollars per $100 assessed value	Percent change from preceding year
1960–61	29,600,832	7.9	2,195,588	10.3	7.42	2.2
1961–62	31,549,630	6.6	2,414,617	10.0	7.65	3.1
1962–63	33,326,914	5.6	2,606,131	7.9	7.82	2.2
1963–64	35,066,088	5.2	2,805,152	7.6	8.00	2.3
1964–65	36,743,364	4.8	3,058,579	9.0	8.32	4.0
1965–66	39,464,013	7.4	3,367,736	10.1	8.53	2.5
1966–67	42,522,365	7.7	3,760,608	11.7	8.84	3.6
1967–68	46,186,881	8.6	4,110,742	9.3	8.90	0.7
1968–69	48,653,400	5.3	4,569,986	11.2	9.39	5.5
1969–70	52,115,409 [b]	7.1	4,935,475	8.0	9.92	5.6
1970–71	55,580,735 [b]	6.6	5,716,850	15.8	10.85	9.4
1971–72	58,785,243 [b]	5.8	6,372,331	11.5	11.43	5.3
1972–73	62,790,656 [b]	6.8	6,819,609	7.0	11.44	0.1
1973–74	67,277,649 [b]	7.1	6,647,769	−2.5	11.15	−2.5
1974–75	74,298,823 [b]	10.4	7,381,059	11.0	11.24	0.8
1975–76	82,691,658 [b]	11.3	8,296,752	12.4	11.33	0.8
1976–77	93,716,623 [b]	13.3	9,368,193	12.9	11.19	−1.2
1977–78	106,694,452 [b]	13.8	10,276,725	9.7	10.68	−4.6
1978–79 [c]	116,736,826 [b]	9.4	5,035,896	−52.2	4.79	−55.2
1979–80	132,820,831 [b]	13.8	5,661,081	12.4	4.69	n.a.
1980–81	144,739,438 [b]	17.9	n.a.	n.a.	n.a.	n.a.

[a] Excludes reimbursements to local government for homeowners exemption and business inventory exemption and special assessments levied on limited categories of property to finance activities from which such properties derive special benefits.

[b] Because the State reimburses counties for the loss of revenue from the homeowners' and business inventory exemptions and tax rates are set on assessed values which include the values of these exemptions, they have been included in assessed valuations. This treatment maintains the comparability of data in this series. Since the inception of these exemptions their aggregate values have been:

	Assessed value	
	Homeowners'	Business inventory
1969–70	$1,909,789,000 (at $750)	$475,375,000 (at 15%)
1970–71	1,910,243,000 (at $750)	996,503,000 (at 30%)
1971–72	1,955,217,000 (at $750)	1,056,891,000 (at 30%)
1972–73	2,051,275,000 (at $750)	1,125,968,000 (at 30%)
1973–74	5,737,738,000 (at $1750)	1,923,315,000 (at 45%)
1974–75	6,008,400,000 (at $1750)	2,597,025,000 (at 50%)
1975–76	6,351,970,000 (at $1750)	3,094,107,000 (at 50%)
1976–77	6,551,693,000 (at $1750)	3,477,666,000 (at 50%)
1977–78	6,787,463,000 (at $1750)	3,643,284,000 (at 50%)
1978–79	6,937,909,000 (at $1750)	4,251,568,000 (at 50%)
1979–80	7,006,348,000 (at $1750)	5,047,799,000 (at 50%)
1980–81	7,168,967,000 (at $1750)	[d]

[c] For the 22 counties levying unsecured taxes based on the 1977–78 secured tax rate, only the portion of the levies resulting from a rate of $4.00 per $100 of assessed value plus a rate for voter approved indebtedness are included. The issue of the proper rate to be applied to the 1978–79 unsecured roll is currently before the courts.

[d] Business inventories became totally exempt effective on the 1980–81 property tax rolls.

Source: California State Board of Equalization.

TABLE 39

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1979–80

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d]	
						1979–80	1978–79
Alameda	$53,612	$72,083	$75,571	$58,433	$259,699	$5.13	$5.19
Alpine	—	646	165	42	853	4.55	4.27
Amador	263	2,491	3,066	139	5,959	4.28	4.33
Butte	1,642	6,097	17,218	3,818	28,775	4.38	4.37
Calaveras	76	1,748	3,906	1,042	6,772	4.64	4.68
Colusa	338	2,332	3,524	624	6,818	4.31	4.30
Contra Costa	22,316	46,896	70,914	57,052	197,178	4.96	4.99
Del Norte	66	1,044	1,782	357	3,249	4.14	4.21
El Dorado	1,993	7,940	11,547	5,949	27,429	4.65	4.59
Fresno	14,342	35,665	53,163	16,966	120,136	4.47	4.41
Glenn	502	2,426	4,415	452	7,795	4.39	4.28
Humboldt	1,912	7,420	11,010	2,682	23,024	4.58	4.59
Imperial	2,362	5,235	8,684	920	17,201	4.47	4.52
Inyo	132	2,170	3,237	623	6,162	4.28	4.28
Kern	7,757	40,690	62,506	30,913	141,866	4.19	4.47
Kings	1,098	6,826	6,246	1,463	15,633	4.44	4.79
Lake	183	3,136	4,098	1,811	9,228	4.44	4.54
Lassen	202	1,225	2,740	249	4,416	4.56	4.22
Los Angeles	305,678	658,174	406,218	281,403	1,651,473	4.66	4.78
Madera	829	4,159	9,964	1,800	16,752	4.43	4.56
Marin	8,729	18,238	30,484	11,168	68,619	4.50	4.56
Mariposa	—	969	1,690	105	2,764	4.06	4.04
Mendocino	638	5,972	8,392	1,373	16,375	4.54	4.55
Merced	2,069	10,902	12,547	3,117	28,635	4.39	4.31
Modoc	126	1,213	1,734	204	3,277	4.16	4.10
Mono	—	2,067	2,190	1,488	5,745	4.60	4.58
Monterey	6,832	17,205	33,618	7,959	65,614	4.31	4.41
Napa	2,691	6,419	13,047	1,922	24,079	4.63	4.75
Nevada	436	3,614	7,528	2,797	14,375	4.74	4.75
Orange	60,998	72,795	303,604	98,778	536,175	4.88	4.98
Placer	1,570	9,176	16,389	6,220	33,355	4.61	4.75
Plumas	63	1,876	4,260	1,018	7,217	3.98	4.09
Riverside	14,068	38,278	69,013	35,340	156,699	4.87	5.01
Sacramento	15,491	47,997	52,923	32,762	149,173	4.80	4.86
San Benito	379	1,315	4,197	941	6,832	4.80	4.76
San Bernardino	16,445	48,143	66,725	50,775	182,088	5.09	5.02
San Diego	56,852	90,963	215,036	44,402	407,253	4.65	4.80
San Francisco	—	173,851	16,475	14,553	204,879	5.00	5.06
San Joaquin	9,513	28,700	28,317	10,231	76,761	4.53	4.56
San Luis Obispo	3,358	14,368	25,679	2,657	46,062	4.68	4.71
San Mateo	23,626	41,960	93,011	16,450	175,047	4.31	4.39
Santa Barbara	4,417	21,287	37,634	10,283	73,621	4.49	4.52

TABLE 39—Continued

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1979–80

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d]	
						1979–80	1978–79
Santa Clara	41,615	80,109	182,408	34,441	338,573	4.83	4.98
Santa Cruz	3,583	10,261	22,213	4,298	40,355	4.47	4.47
Shasta	1,518	6,186	16,940	2,039	26,683	4.53	4.58
Sierra	14	633	327	138	1,112	4.22	4.24
Siskiyou	549	2,593	5,679	410	9,231	4.14	4.28
Solano	8,943	15,809	16,947	4,270	45,969	4.84	4.93
Sonoma	5,911	21,795	34,957	6,174	68,837	4.48	4.51
Stanislaus	4,886	14,977	35,082	2,917	57,862	4.41	4.47
Sutter	1,110	4,732	7,267	1,362	14,471	4.29	4.36
Tehama	471	2,749	4,572	567	8,359	4.34	4.37
Trinity	—	1,035	1,541	164	2,740	4.36	4.55
Tulare	2,845	16,160	18,197	3,616	40,818	4.30	4.37
Tuolumne	139	3,093	4,601	812	8,645	4.42	4.44
Ventura	8,391	34,058	50,850	31,739	125,038	4.70	4.85
Yolo	4,106	8,413	13,851	2,991	29,361	4.85	4.72
Yuba	498	2,932	3,682	852	7,964	4.76	4.74
Totals	$728,183	$1,791,246	$2,223,581	$918,071	$5,661,081	$4.69	$4.79

[a] The county levies at a rate of $4.00 per $100 of assessed value have been allocated among the jurisdictions receiving a portion of those levies. Excluded are the following amounts of state reimbursement to local governments: homeowners', $328,218,000 and business inventories, $210,277,000.

[b] County levies for school purposes, such as junior college tuition and countywide school levies, are included with school levies.

[c] Includes debt levies on land and/or improvements only. Also includes the portion of the $4.00 levy allocated to jurisdictions previously taxing less than total property, i.e., land only or land and improvements only.

[d] Computed by dividing total levies by the assessed value and multiplying by 100.

SPECIAL NOTE: Property tax allocations to the several types of districts for 1979–80 are substantially different from those for prior years, primarily due to the property tax allocation provisions of AB 8 (Chapter 282, Statutes of 1979). These provisions called for a portion of property tax revenues to be diverted from schools to cities, counties, and special districts with the loss in revenue to school districts being made up through increased state aid.

Source: California State Board of Equalization.

Photoelectronic composition by
CALIFORNIA OFFICE OF STATE PRINTING

81995—354 3-81 5M LDA